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WEST EUROPE REPORT

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DE ROSE, MANEL ON EUROPEAN DEFENSE CONSIDERATIONS, NATO

Paris POLITIQUE INTERNATIONALE in French Spring 83 pp 165-183

[Interview with Ambassador Francois de Rose and Colonel Michel Manel; date and place not specified; De Rose is a former member of the Atomic Energy Committee, former assistant to the chief of the national defense staff, and was France's permanent representative to the North Atlantic Council from 1970 to 1975; his published works include: "La France et la Defense de l'Europe," Le Seuil, 1976, and "Contre la strategie des Curiaces" [Against the Strategy of the Curiatii], Juillard, 1983; Colonel Manel is particularly interested in strategic problems related to European security; his published works include "L'Europe sans Defense?" [Is Europe Defenseless?], Berger-Levrault, 1982; his comments in this interview reflect solely his personal views for which he alone is responsible].

[Text] [Question] Europe has lived for 35 years believing that nuclear deterrence guaranteed its security. But Europe is now uneasy. Is this uneasiness warranted? For what reasons?

Manel: Though Europe did live for such a long time with almost unbounded belief in the miraculous virtue of American nuclear deterrence, it was, nevertheless, mistaken. And if certain politicians now have misgivings in this regard, this change of heart is a blessing in disguise. It means these politicians have finally realized that an alliance is formed to guarantee the collective security of its members through an equitable sharing of risks and responsibilities among the various parties.

An alliance within which one nation has to assume unconscionable risks to protect the others without expecting anything, or very little, from them, is doomed to break down. One of the reasons France withdrew from NATO in 1966 was that General de Gaulle had already realized it was inconceivable that the United States would commit suicide to deter the Warsaw Pact from invading Western Europe.

Actually, when we refer to deterrence, it is essential that we be quite clear about three points: What harmful action do we want to avert? By means of what threat? By taking what risks?

The build-up of the USSR's nuclear capabilities is inevitably followed by a change, made under American pressure, in the Alliance's strategic doctrine. This change consists in raising the nuclear threshold, defined as the politico-military situation in which NATO would consider that the advantages of using nuclear weapons outbalanced the risks.

From the United States viewpoint, considering its geographical situation, it is necessary to wait. As Europeans see it, however, and particularly the FRG, the nuclear threshold must be kept as low as possible. It's like trying to square the circle, the higher the nuclear threshold is raised--or we imply that it is--the more nuclear deterrence diminishes...until it no longer exists at all. Yet a whole raft of statements and writings--I refer particularly to the article entitled "Nuclear Weapons and the Atlantic Alliance" published in FOREIGN AFFAIRS in 1982--have this orientation. Hence Europe has good reason to be worried.

De Rose: The confidence of Europeans in nuclear deterrence was based on the justified feeling that the United States had superiority both in theater weapons and strategic weapons.

That situation has changed. In addition to the Red Army's superiority in conventional forces, the USSR has now attained nuclear parity with even an advantage where intermediate-range weapons are concerned. Under these conditions, the USSR can respond to a threat to nuclearize a conflict with a similar threat but with the advantage of being less vulnerable than Western Europe because of the difference in population and economic structures.

Furthermore, Europeans are wondering whether, in the event of war, nuclear operations would not be limited to their continent, to the exclusion of the territories of the superpowers. A statement by President Reagan has fueled this apprehension which Moscow's diplomatic activity tends to make credible.

[Question] Is a nuclear war limited to Europe possible?

Manel: This question follows directly from your first question. And when we occasionally hear certain officials blithely tell us that nuclear weapons are made not to be used, it's enough to confound us. While such a statement is intended to reassure the general public, it undermines the very foundations of deterrence which is, all things considered, a form of continuous psychological warfare waged against the party we wish to deter, a party who must be convinced that the "deterrent" will not hesitate to carry out his threat should the occasion arise.

A nuclear war limited to Europe is possible if the American threat to use nuclear weapons in opposing an attempted conquest of our continent were not taken seriously, or worse, if that threat were withdrawn. But evoking such a possibility implies defining a probability that in reality should be minimized. To discourage Warsaw Pact forces from crossing the Iron Curtain, the potential aggressor has to be convinced that his territorial gains would be trivial compared with the heavy losses he would suffer. It stands to reason that

threatening to use nuclear weapons at the outset is what is likely to lessen the probability of limited nuclear war in Europe, and not the "no early use" strategy.

If this nuclear battle resulted in the mutual destruction of the opposing armies, without territorial gains for anyone, the defense would have achieved its objectives--no invasion--and the attacker would have sustained enormous losses for zero gains.

What does Western Europe really mean to the United States? It is a theater of potential external operations in which America maintains, within the framework of an alliance, an expeditionary force under the command of an American general who has additional duty as supreme commander of the NATO forces. Hence it is conceivable--and we are not insulting the United States in saying this--that a limited war in Europe would have no limits other than those imposed by the desire not to have U.S. territory suffer the indirect consequences of that war.

Western Europe is what the Soviet empire lacks to attain global hegemony. It is, therefore, an asset or stake for the United States to conserve, but on condition that this conservation does not jeopardize the protector's existence. Consequently Western Europe is worth defending without having its defense entail a total, irrational war that would end in the death of the participants and survival of the asset. Its geographical location between the two superpowers and its present inability to take charge of its own defense by itself are what place Europe in the uncomfortable position of being the battlefield of a war between others, and the worst imaginable kind of war at that.

De Rose: No one can answer this question with any degree of certainty. So many of the parameters change with time, technological advances, and public opinion.

Hence we are in a state of uncertainty. In such matters, however, uncertainty is deterrence's best ally.

If there were an estimated 90 percent probability that nuclear exchanges would spread to the two superpowers, the remaining 10 percent would appear insufficient to the allies of the United States. Conversely, this probability need be only 10 percent to appear unacceptable to the aggressor.

This probability is strengthened by two basic factors in the present situation. One is the presence of U.S. forces in Europe which means that any conflict involving these forces would necessarily raise the confrontation to the level of a military one between Moscow and Washington, with all of the consequences stemming therefrom. The second factor is the geographical continuity between Europe and Russia which makes military targets in the latter's western districts open to American nuclear attacks (from the territories that are objects of aggression). This is the purpose of the planned deployment of Euromissiles.

In any event, there would be a serious risk of escalating the conflict. This fact is undoubtedly enough to deter the aggressor from basing a strategy on the contrary presumption.

[Question] Is the Atlantic Alliance still capable of ensuring Europe's security?

Manel: Yes, the Atlantic Alliance is indispensable to Europe's security and will no doubt continue to be so for a long time. Yet it is necessary for this that the Old World be allowed to assume within the Alliance its rightful responsibilities based on its geographical situation and the technical and financial capabilities of the European countries.

Admittedly an alliance is generally composed of unequal states more or less vulnerable to a common threat because of geostrategic factors specific to each one of them. It has to be said, however, that NATO has dispossessed European countries of their defense by converting the alliance into a protectorate. On one side there is the protector who determines strategy, on the other the nations threatened with invasion, deprived of the master weapon, doomed to furnish the infantry troops and place them under the command of a general who in practice is accountable solely to Washington. In this strange organization, the most threatened countries have had to rely blindly on American good will. How can such a system, theoretically efficient because of the integration of national armed forces, conceivably be so in practice when it has led Europeans to abdicate their basic responsibilities, and ultimately give their citizens a false sense of security?

Many have said that it is imperative to reform NATO so that its European members are not dispersed within the Alliance but form one specific entity, thereby giving the Americans a single partner in the North Atlantic Council instead of a multiplicity of divided countries. This arrangement would compel Europeans first to determine among themselves those strategic options best suited to their interests, and then to present a united front in defending their political decisions.

Peace enforced by others in NATO--the Pax Americana--is the worst solution. It is instrumental in maintaining East-West tension and establishing a dangerous and unstable peace in Europe, the result of an ingenious balance between Soviet and American nuclear arsenals. Being at the geographical center of this confrontation, Europe has every good reason to build within the Alliance an independent pillar of its defense on the continent. Only a European peace is likely to lead to real security by demonstrating to the Soviet Union that Western Europe is prepared to defend itself, without thereby being America's Trojan Horse on the Eurasian continent.

Western Europe must realize that its security compels it to Europeanize the Atlantic Alliance with a view to contributing eventually to dissolution of the two military blocs which, by definition, further the risks of a global conflagration whose first victim would be the Old World. Accordingly, Western Europe has a tremendous part to play in the interest of world peace, a part it alone can play.

Lastly, even though it has been said many times, we must not overlook the fact that the geographical area covered by NATO is limited, whereas the European economy's prosperity depends on raw materials--oil in particular--deposited in substrata of distant countries. This poses the problem of the nature of the regimes governing those countries, and also the problem of the freedom of our sea lines of communication. We can, for e.g., conceive of a selective blockade

in the Persian Gulf region imposed on European tankers without affecting America. How would the United States react? After all, are we not in the process of becoming dependent on Siberian natural gas despite Washington's warnings? As a result, we would be in a awkward position to call upon the United States for help if tomorrow we were blackmailed over our oil supplies.

The Atlantic Alliance is, therefore, not a panacea. And it is high time for Europe to widen its narrow continental view of security problems to a global scale.

De Rose: The Atlantic Alliance primarily provides that deterrence which is based on the risk of escalation to extreme levels of violence.

What we can ask ourselves is whether the role of primary importance given these past few decades to the nuclear threat in the Alliance's defense concept will continue to be the same in the next few decades, or whether conventional forces will be called upon to participate more closely in this overall deterrence posture.

We must not reason as if a conflict were, obviously not inevitable, but even probable. The risk of an armed clash between the two superpowers will always be present as long as the United States maintains large forces in Europe. And the United States will continue to do so, not for our sake but because safeguarding the independence of this half of Europe is of vital interest to the United States.

For this reason, discourses on the end of the "American guarantee" or on the alleged holes dotting the American "umbrella" are beside the point. Ever since abandonment of the doctrine of massive retaliation, there has been no American strategic guarantee in the sense that Washington no longer says: "If you touch one hair on the head of one of my friends, you will be vitrified."

What the United States does say is that its vital interests are bound up with the fate of Europe. And the United States proves this by having been present in force in Europe for the past 37 years.

The most conclusive proof of the effectiveness of this U.S. policy is before our eyes, in the heart of our continent, in Berlin.

On the other hand, the danger lies rather in a changing balance of forces resulting in a situation wherein, during a crisis, Westerners would be the first to be vertiginous when confronted with the abyss that could open before them, whether this abyss be the certainty of defeat or the necessity of resorting to nuclear war immediately, in other words, running the risk of annihilation.

Yet we must remember that the Soviets--through their spokesman, Andrey Gromyko--declared before the United Nations, on 15 June 1982, that they would not be the first to use atomic weapons.

Naturally, such a statement must not be taken for gospel truth. A number of writings by Soviet military officials say the exact opposite.

Nevertheless, the important point is that the USSR is now in a position to make such a statement while defying us to make first use of these weapons. In effect, this statement means that in the management phase of a crisis, Moscow could say: "We shall not make first use of nuclear weapons. But if you Westerners use them, we shall be prepared to make Europeans suffer a terrible penalty."

It is quite certain, however, that if to stop the Red Army, the Atlantic Alliance were forced to resort almost immediately to nuclear weapons, there would be considerable public opinion opposing that decision. And we also know that Soviet strategy calls for actions designed to obtain decisive results in the shortest possible time. The corollary thereto is probably that the Soviet Union's handicaps--the dubious loyalty of its allies as well as the vulnerability of the Red Army's logistic support--would render the prospect of a conflict of some duration very unattractive to the Kremlin leadership.

It appears necessary, therefore, for Westerners to be prepared to offer effective resistance on the conventional level. We would have to be able to reply approximately as follows to the Soviet statement: "Even though you do not use nuclear weapons, don't imagine that you are heading for a simple outing. The outcome of the fighting will be uncertain and escalation always a possibility, because we reserve the option of using our nuclear weapons should the need arise." If Westerners can speak in these terms, they will re-establish deterrence at the conventional level.

This presupposes a serious and lengthy effort. But new technologies are promising enough for armor's chances against the sword.

The paradox is that although the public is demonstrably quite fearful of nuclear weapons, and rightly so, it is now accusing those advocating a conventional defense effort of wanting to renounce use of atomic weapons. And in addition, this same public appears to be more worried about the Euromissiles designed to defend it than about the Soviet SS-20's which threaten it.

[Question] Will the deployment of American Pershing 2 missiles in Europe contribute to enhancement of the Old World's security?

Manel: We must also consider the 464 cruise missiles because we are dealing here with two weapon systems having very different technical characteristics for which there are complementary strategic options. Furthermore, to answer your question we would have to know the doctrine governing employment of these missiles. In this connection, and without wishing to polemicize, it is useful to recall what Henry Kissinger said in Brussels on 1 September 1977: "In the 1950's and 1960's, we deployed several thousand nuclear weapons in Europe. To tell the truth, we did not have a very clear idea of what we wanted to do with them, but I am sure Soviet intelligence agencies had one." While it is true that this "secret" takes nothing away from the deterrent effect obtained prior to 1 September 1977, we can, nevertheless, wonder what effect this statement may have on the idea the Soviets will have tomorrow on the possible employment of Euromissiles.

The best way to answer your question is to refer to the characteristics of these weapons. The Pershing 2's are capable of very quickly delivering counterforce strikes against moving targets and even enemy missiles before they can be launched. As for the cruise missiles, they are rather a retaliatory instrument for use after an enemy first strike. Provided, of course, this first strike is not actually meant to eliminate the launchers on which these cruise missiles will be installed. At all events, these two weapon systems give their possessor an important dual capability of coercion and deterrence, important per se but insignificant when compared with the capability of the U.S. central strategic arsenal.

Unlike the 400 nuclear warheads carried by the Poseidon C-3 missiles aboard submarines under SACEUR's [Supreme Allied Commander Europe] control, Euromissiles deployed in European countries imply that those countries receiving them agree to incur risks without assuming any responsibility in their possible employment. Hence it may be assumed, until informed otherwise, that Euromissiles would constitute decentralization in Europe of part of the American strategic nuclear umbrella and thus restore the linkage between defense of the United States and defense of the Old World. Although this may appear to be the case at first glance, it is not actually so, because this deployment does not include a decentralization of responsibilities and thus leaves some lingering doubt about the guarantee that can be expected from it.

There is no validity to the primary argument that on principle we must put up "something" against the Soviet SS-20's. Quantitatively, this "something" already exists, in that the United States has a formidable overkill capability. What really matters is the psychological credibility that a fraction of this overkill capability will be employed, a credibility which is obviously tied to the absolutely necessary participation in responsibilities by those countries taking the risk of having Euromissiles based on their territory.

To enhance the Old World's security, the Pershing 2 missiles must give the populations they are supposed to protect a sense of security, must reassure them with regard to the Soviet SS-20's. If the politico-strategic conditions of the deployment tended, on the contrary, to alarm these populations, what power to deter the USSR would they have? This question leads to another: if the populations exposed to SS-20 strikes knew that their governments were responsible for the employment of Euromissiles, would they not more readily accept these missiles? The real question raised by Euromissile deployment is the question of decision-making authority on which, in the final analysis, their power to deter depends. Who can venture to deny that the more the decision-maker is involved in the war to be prevented, the better deterrence will work? Now who is better qualified than Europe to deter a war in Europe? All of these queries provide the answer to your question. Euromissiles can indeed contribute to Europe's security provided the decision-making center and their deployment site coincide.

De Rose: There is not the slightest doubt that deployment of these missiles is bound to play an eminent and even irreplaceable role in strengthening deterrence in Europe, and for the following reasons.

During the past few decades, the Soviet Union was vulnerable to attacks by American aircraft stationed in Europe, aircraft having the necessary operating range, particularly the F-111's [fighter-bombers] based in Great Britain. Because of the intensive qualitative and quantitative build-up of the antiaircraft defense system covering Russia, it is becoming increasingly difficult for these aircraft to penetrate Soviet airspace. The obvious result is a decrease in the USSR's vulnerability.

During the same period, Moscow was adding the mobile and more accurate SS-20 missiles to its old SS-4 and SS-5 missiles known to be rather inaccurate and armed with a megaton warhead. The SS-20 carries three warheads, each reportedly with a 150-kiloton yield and capable of pinpoint attacks on military targets. As a result, the vulnerability of Europe's defenses has increased.

These are the developments the Euromissiles are designed to correct. Contrary to what has been said, their deployment is in no way intended to balance or threaten the SS-20's. Its purpose is to restore a certain balance of vulnerabilities and materialize, for the USSR, the danger that any conflict in Europe could spread into its territory.

If these missiles were fired against military targets in the USSR. Moscow would be faced with a choice between retaliation against U.S. territory, with the resultant possibility of escalation to extreme levels of violence, or abstaining from such retaliation, a decision synonymous with recognition of the "sanctuarization" of the United States (at a time when the latter would have demonstrated that, in its view, the USSR was not a sanctuary).

The entire Soviet offensive on this issue--be it propaganda or diplomatic action--is aimed at blocking the deployment of these missiles. Success of this offensive would constitute in effect a major--and perhaps decisive--step toward "decoupling," i.e. cutting the European theater from the American strategic system. In other words, it would create a situation that would increase the risk of nuclear war limited to Europe, a possibility referred to in your second question.

But as it is unlikely that the Kremlin wants to run the risk of war, the results of its efforts would be felt, first and foremost, on the political level. In fact, if Europeans were conscious of this decoupling, they would feel compelled to be very understanding and amenable to Soviet pressures in a crisis situation.

Lastly, even before a possible crisis situation developed, it is easy to see what a triumph it would be for the Soviet Union to have gotten the Atlantic Alliance, under pressure from Moscow, to forego equipping itself with a weapon system. Who would venture to imagine the reverse happening? If it were to become an established fact--after Soviet disinformation's initial victory which prevented the deployment of neutron weapons--that we could not have at our disposal for our security the weapons our potential adversary prohibited us from having, we might as well say good-bye to any serious defense concept.

To cover all sides of this issue, we must state that the zero option proposed at the Geneva negotiations by the United States upon request, apparently, of

European officials, is patently altogether criticizable. The zero option would consist in having both sides eliminate missiles with a range of more than 1,500 kilometers, in other words the SS-20's, Pershing 2's, and cruise missiles. This option would mean elimination of American weapons capable of striking Soviet territory from launch sites in Europe, while Soviet fighter-bombers and SS-21, SS-22, and SS-23 missiles, whose range is reportedly less than 1,500 kilometers, would continue to threaten most of Western Europe.

It would be an out-and-out swindle.

[Question] Is the "no-first-use" proposal made by four distinguished Americans--and subsequently adopted by Gromyko and Andropov--likely to ward off or lessen the risks of war in Europe?

Manel: Failure to affirm that we will make first use of nuclear weapons should a conventional war in Europe result in major territorial conquests west of the Iron Curtain would be an invitation to aggression. In fact, given the ratio of Warsaw Pact conventional forces to NATO conventional forces, there is no doubt that our defensive positions would be quickly overwhelmed and Europe invaded before American reinforcements stationed on the other side of the Atlantic could be dispatched to the European theater of operations.

The moment Warsaw Pact forces have tactical nuclear weapons, the no first use proposal means that the United States, for fear of escalation, renounces the strategy of nuclear deterrence to protect Western Europe from invasion. Such a development was foreseeable and inscribed in the flexible response doctrine imposed on Europeans in the 1960's. It is no surprise that this viewpoint is joined with General Rogers' (Supreme Allied Commander Europe) request that the Old World strive to develop precision-guided conventional weapons capable of delivering deep supporting fire against Warsaw Pact forces in case of invasion.* In other words, we are witnessing an increase in the flexibility of the flexible response and a systematic refusal of a conventional-to-nuclear escalation, responsibility for which would rest with the United States.

In short, the decoupling is becoming more pronounced. After decoupling the strategic defense of Europe from that of the United States, the Americans are now imposing upon NATO, in the European theater of operations, a decoupling of the conventional battle from the nuclear battle, leaving it up to the enemy to decide specifically when to cross the threshold between these two levels. Such a doctrine gives the aggressor the advantage of strategic surprise in making first use of the master weapon. And it is evident that the consequences thereof can be disastrous.

Not very long ago--it was in 1980--General Haig, before he became secretary of state, made the following comment: "Incidentally, many contemporary Western observers have not grasped the essence of deterrence. They believe that inasmuch as a weapon system is employable, a risk is attached thereto.

* See interview published in LE MONDE 6 January 1983.

Whereas it is precisely the opposite that is true. The more a weapon is employable, the more it is credible. The more it is credible, the less probability there is of a potential aggressor taking any action likely to precipitate its employment. That is what deterrence is." Obviously, the surest way of not deterring is to announce that an employable and effective weapon will not be employed first!

In choosing between the risk--small risk--of a nuclear war in Europe should deterrence fail, and the probability--undoubtedly much greater--of a conventional war of invasion (probably hardly less destructive than a nuclear war waged with accurate and low-yield projectiles) ensuing from the no first use proposal, the first alternative is preferable in my opinion.

Be that as it may, these latest ups-and-downs and steadily worsening transatlantic misunderstandings inevitably tend to unsettle the Atlantic Alliance. To preserve its cohesiveness, it is up to Europeans to share the Free World's defense burden so that the United States will not be forced to make promises it would not be able to keep. "But inasmuch as the effectiveness of the protection is doubtful, why should we put our fate in the hands of the protector?," said General de Gaulle in explaining France's withdrawal from NATO. At the present juncture, no longer blindly relying on the United States implies a substitute for the American nuclear umbrella, a substitute which it is up to Europeans to find. Can they do this?

De Rose: To begin with, it must be noted that the proposal in question was made by four Americans who no longer hold any official positions, and that competent American authorities have totally rejected it. Hence it would be intellectually dishonest to refer to it as an "American proposal."

Having said this, it should be understood that the "no first use" concept stems from the fear--which is not unwarranted--of what a disaster the use of nuclear weapons on our continent would be. Stockpiles on both sides are known to number in the thousands of weapons. It stands to reason that if they were to be employed, it would mean the end of Europe's history.

Hence the authors of this proposal advocated that Westerners sufficiently build-up their conventional forces so that they can then declare that they would not make first use of their nuclear arsenal.

There is no doubt that the build-up of conventional capabilities is in the correctly understood best interests of Europeans, and this for the reasons indicated in reply to your third question, namely in order to broaden the scope of deterrence, but also to respond to the legitimate qualms of the general public who are afraid that resisting Soviet pressure someday would mean certain nuclear destruction in the very first hours of a conflict.

The proposal of the four Americans is unacceptable, however, when it advocates renunciation pure and simple.

It is quite clear that if a war were to be waged in Europe on the conventional level and were to become protracted, it would also bring about the destruction

of our continent while Russia, unlike us, would escape relatively unscathed.

The situation would thus be completely unbalanced between a Europe risking its life and the Soviet Union assured of impunity for its aggression.

In such a case, what would remain of deterrence and how could we, on the diplomatic level, hold our own against demands that would be contrary to our interests?

Lastly, the four Americans claim that nuclear war would be immoral. What is immoral is aggression. And by assuring the aggressor that he would have nothing to fear from a conflict, their proposal would be the height of immorality.

Need we be surprised, therefore, that Moscow, through its spokesman Gromyko, has adopted this proposal?

Yet I must reiterate that an obligation to have immediate recourse to nuclear weapons would be as inconsistent with the Old World's security as renunciation of their use.

Hence maintaining deterrence requires strengthening the West's conventional forces and its determination to use nuclear weapons if such becomes necessary, including--and this is essential--their use against military targets inside the USSR.

[Question] Is a genuinely European deterrent force possible? Is it desirable?

Manel: The answers given to the five previous questions induce me to affirm directly that a genuinely European deterrent force is desirable. The question is whether such a force is possible.

I state positively that it is. The obstacles are solely of a psychological and political nature. I shall not waste my time in showing that a technical solution--among others--does exist. I demonstrated this in my book, "Is Europe Defenseless?", and no French or foreign military expert has to date disparaged my reasoning. So I shall limit myself to refuting the well-worn objections advanced usually by those who oppose building a European defense system.

First of all, there is the exaggeration of the Soviet threat. This enables a great many politicians to justify with their constituents acceptance of the American protectorate. Yes, the threat does exist. And it is real. But it must not be overestimated and used as a pretext for rejecting a European communal defense. There is never any mention made of the Warsaw Pact's vulnerabilities even though that alliance's cohesiveness is more than questionable. Satellite country divisions are blithely added to Soviet divisions as if Poles, Czechs, Hungarians, and others were ready to follow Moscow light-heartedly in a war to conquer the West. When analyzed objectively, the size of the Soviet threat is within Western Europe's material and economic capabilities. In truth, the inferiority is psychological in nature. The intellectual and moral sluggishness of the European political elite is what is to blame for the European peoples' fear and renouncement.

It is frequently argued that the nonproliferation treaty signed by our allies bars formation of the proposed European nuclear force. That treaty is a

veritable diplomatic fraud which set the two superpowers up as world policemen. Actually, in connection with that treaty the nonnuclear powers received a guarantee of immediate assistance in case of a nuclear attack. But what kind of a guarantee can this possibly be when the United States evokes no first use? Europeans must clearly demand its revision, and if necessary denounce it, because not one of the conditions prevailing at the time its clauses were drawn up is now applicable. It was no accident that it took the FRG 5 years to ratify this treaty. The Christian Democrats considered the treaty discriminatory. They feared--and rightly so--that it would hamper the process of unifying Europe. The nonproliferation treaty is beyond all question the major obstacle to establishment of a European defense system, the famous "European pillar" within the Atlantic Alliance.

But the argument most frequently advanced in opposition to the concept of a European defense is that it would necessitate the nuclear rearmament of Germany, a move that would constitute a casus belli. As if the German divisions integrated into NATO were not currently equipped with nuclear weapons! In what way would the same divisions integrated into a collective defense system controlled by a European council representing Europe within the North Atlantic Council, constitute more of a casus belli than their present status in NATO? I will even go further: in what way would a German nuclear capability be more dangerous to world peace than the Soviet nuclear capability? In response some persons will point to Hitler and Nazism for which they feel Germany should forever be an object of opprobrium. As if Stalin had never existed, Stalin with his concentration camps in which more than 10 million slaves of communism perished. And what should we fear more today, the phantoms of Nazism or the Soviet military machine, servant of a totalitarian ideology?

Actually, the whole thing is a psychological, diplomatic, and political diversionary maneuver aimed precisely at blocking creation of a European nuclear defense system by laying a country under a moral interdict, a country without whose participation this creation is impossible.

The last and most absurd objection contends that it is premature to consider creating a communal defense when there is no European political authority. But what then is NATO if not an aggregation of national armies under the command of a general foreign to Europe? As for the North Atlantic Council, it is not an American-European supranational authority, far from it. In actual fact, the political construction of Europe includes its military organization, the two must be managed side by side and treated as associated problems.

None of the arguments advanced by opponents of a European defense system can withstand serious analysis. The truth is that the only real obstacle is the inability of most European politicians to want to build a Europe which transcends that community of shopkeepers known as the EEC. The latter assumes responsibility for the welfare of Europeans but does not guarantee their security. The defense function has always been essential to the existence of peoples. And in today's world, it is unlikely that the peoples of Western Europe will still be free in the year 2000 if their leaders persist in not wanting to incorporate the military dimension into the construction of Europe. Unquestionably it is already quite late. It is never too late, however, to do what has to be done: the will to exist is a continuous struggle.

De Rose: First, I have an interlocutory question. Why should peoples who have their civilization and their ideal of liberty in common, as is the case between Europeans and Americans, consider loosening or dissolving their alliance and confronting the totalitarian threat in a dispersed manner?

Aren't there more urgent tasks than seeking to do separately what we are doing merely imperfectly together?

In reality, the obstacles to creation of "a genuinely European deterrent force" appear insurmountable.

And first of all, we would have to agree on what we mean by a deterrent force.

The answers given to the previous questions are undoubtedly enough to establish the fact that deterrence is not based solely on nuclear weapons.

An atomic capability does not allow its possessor to do everything, as forcefully demonstrated by the Vietnam war and the way the Soviets are bogged down in Afghanistan.

Accordingly a European deterrent force should have a conventional component capable of holding its own against the Red Army, at least for some time. In other words, this force should have a military posture capable of creating a real problem for the enemy at all levels: conventional, tactical nuclear, and strategic nuclear. After all, such is the essence of deterrence.

We know that this potential adversary allocates 12 to 15 percent of its GNP to its military power. No doubt the countries of Western Europe have a greater combined GNP. But even assuming that, by waving some magic wand, these countries do achieve complete integration of their programs, their industries, their research laboratories, a European deterrent force would nonetheless require that they also allocate a much larger share of their resources to their defense.

Are we really sure that our institutions, our standards of living--precisely what we are supposed to protect--would withstand this burden?

In the absence of such a military posture in Western Europe, the Soviets could conduct limited operations which Europeans could counter only by immediate recourse to nuclear weapons, that is to say by exposing themselves to annihilative retaliation.

Some will say in rebuttal: "But Europeans could also threaten the enemy with unacceptable destruction."

Our ideas on this particular point must be perfectly clear. First, who will speak and decide in the name of this Europe? If we start from the idea that there will be a government headed by a man or women who will have been granted the power to make decisions affecting the life or death of all our peoples (a collegial system would guarantee inaction), this supposes the problem is solved. Such a formula may materialize, but in such a distant future that the East-West confrontation will undoubtedly have given place to other problems by then.

It would also be necessary to know what the rationale of this deterrence would be on the nuclear level. It is unlikely that it can be based on a doctrine derived more or less from the flexible response. The latter's credibility is drawn from the linkage which exists between theater weapons and the American strategic system, but there is doubt, even at the Atlantic Alliance level, as to whether the flexible response doctrine is still equal to the evolution in the balance of forces. In addition, such a rationale would presuppose the allocation of considerable resources to the production of warheads and delivery vehicles.

Hence there would be no alternative but to fall back on the idea of extending to all European countries the doctrine of santuarization which France and Great Britain can profess for themselves. In other words, Paris and London would--jointly or separately--guarantee to use their strategic weapons at once should one of their allies be the victim of aggression.

We shall pass over the objection based on France's refusal, maintained for the past 20 years, to be automatically involved in a conflict, and grant that there will be a French government and parliamentary majority willing to sacrifice on the altar of Europe what has been and still is the justification and goal of our defense policy, namely independence in our decision making. Seeing that we are daydreaming, why not have that particular dream?

But the most serious obstacle--no longer in the dream world but in the real world--to this French or British guarantee arrangement stems from the structure of the strategic forces of these two countries. These forces are exclusively instruments of massive retaliation. Their targets are and can only be industrial and urban centers. This means that the credibility of their employment is linked to a threat to our vital interests. Admittedly the responsible French authorities have been careful not to give any clear-cut definition of those interests. But to infer therefrom that we could, with the necessary probability, commit ourselves to such intervention in case of attack against our allies (or one of them) wherever it may be and whatever the degree of violence, is a step that will not be readily taken, either by ourselves or by others.

All the same, it would be surprising if because of a real or alleged weakening of the American "guarantee" we are pressured into giving ours. Although in a face-to-face confrontation between the weak and the strong, the weak party can hope to neutralize the strong party's superiority, it does not necessarily follow that the weak party can aspire to extend his protection to another party even weaker than he.

All is not perfect in the alliance of free countries. Yet is it not wiser to improve what exists, starting with a greater European assumption of responsibilities in the current system?

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NEW BOOK CHARGES PEACE GROUPS OPERATE WITH 'MOSCOW RULES'

Copenhagen BERLINGSKE TIDENDE in Danish 18 Jun 83 p 3

[Article by Kermit Norlund]

[Text] The peace debate should no longer be conducted according to "Moscow's rules." And the "useful idiots" in the peace movement must be made to understand that their work is harming Denmark and jeopardizing the country's freedom.

That is what the men behind a new anthology, "Resistance and Freedom," think, a book in which 24 contributors try to set a number of things in place in the peace debate so far. One of the contributors, Per Stig Moller, program chief at DR [Danish State Radio] said:

"I do not wish to impute unworthy motives to the peace movements. But whether or not they are well-meaning, they are harmful and dangerous because they accept the Russian way of thinking. In other words, if they have 10 guns and we put up 10, they will become frightened and set theirs off. If we fall for that kind of argument, Denmark will become spiritually 'Finlandized' and that is the preliminary to losing our freedom.

"We must not become convinced that the lies between a nuclear Armageddon and Russian dominance. In that case, the 'useful idiots' in the peace movement will have been really productive for the Soviet Union for the first time," said Per Stig Moller. He sees the anthology as "the most important and the most necessary book" in recent times.

Among the many other contributors to the anthology are author Henrik Stangerup, priest and author Soren Krarup, Foreign Minister Uffe Ellemann-Jensen and Social Democratic member of Folketing Robert Pedersen. Pedersen said:

"You cannot apply the same yardstick to all the factions in the peace movement, but they are definitely harmful when they close their eyes to how things are really going for the independent peace movements in the East bloc. We cannot afford to erode our basis of negotiation with the Soviet Union and

that is what we are doing if we say in advance that nothing will happen if the arms reduction talks fail."

The book is edited by Ulrik Hoy, B. A., and doctoral candidate Iben Holk. The latter said:

"Middle-class Denmark has been totally absent from the peace debate. The intensive and thoroughly organized propaganda the peace movements have unleashed is dangerous for Denmark's defense commitment and its defense capacity. And thus it jeopardizes Denmark's freedom. The book was intended to serve as a number of well-documented articles that could 'shake things up' and put an end to the peace movement's Moscow rules."

The anthology was published by JYLLANDS-POSTEN's publishing house, Centrum, and includes a number of articles that have previously been published in BERLINGSKE TIDENDE.

6578

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ALTENBURG ON DISARMAMENT TALKS, NATO ISSUES

Frankfurt/Main FRANKFURTER RUNDSCHAU in German 27 May 83 p 12

[Interview with the new inspector general of the Federal Armed Forces, Wolfgang Altenburg, by Ulrich Mackensen: "Geneva Talks Have the Same Chance as Before"]

[Text] As much chance as before is what the new inspector general of the Federal Armed Forces, General Wolfgang Altenburg (54), gives the Geneva talks on the reduction of intermediate-range nuclear weapons. As Altenburg, who took office on 1 April, said in a FRANKFURTER RUNDSCHAU interview, the most recent statements of Soviet party leader Yuri Andropov have shown him "that there is still some life left in them." FRANKFURTER RUNDSCHAU reporter Ulrich Mackensen spoke with General Altenburg.

[Question] General Altenburg, when you took office the defense minister gave you a stronger position than your predecessor. What are the things you consider self-evident as inspector general, where will your priorities be?

[Answer] The tasks set by the minister give the inspector general the opportunity to have a strong influence on the planning of the armed forces and in particular on the development of the planning concept. The minister reserves the right to make the final decision, of course, that is the way it has to be. But the minister on his part has entered into the obligation only to correct the inspector general when there is really grave reason. I see my task such that together with the branches of the armed forces I will try to write the concept in such a way and adjust it to the military branches in such a way that from the beginning I have an integrated plan, and then the inspector general's competence will no longer be to correct the armed forces but will have a positive effect, because it was already included in the planning process at an early stage.

[Question] According to a statement by the Defense Ministry, the previously strict apportioning of the weapons share of the defense budget on the Army, Air Force and Navy, that is to say according to fixed percentages, is to be loosened up during your term of office and replaced by points of emphasis. What will this look like, approximately?

[Answer] For our planning we have the task, that is primary, and--I would like to call it so--two boundaries. We know the task. But one of the boundaries will be the funds we now have available. And the other boundary is that which has been added recently, namely our personnel problem due to the already calculable years with low birth figures. We will therefore very clearly have to arrange our planning priorities in such a manner that we can make do with the money, but also with the people.

In order to maintain our personnel strength at a certain level, which I would not like to express as a number right now, we will have to initiate, and initiate early on, a catalog of flanking measures, which for example has already been partly worked out in the long-range commission. But the multitude of these measures will cost money. In addition we will also have to take care that we not only demand motivation of our soldiers but also show the soldiers that we recognize their motivation in the form of social security for the soldier. That must go hand in hand.

It is already becoming evident that the focus will necessarily be on personnel. And if you now assume that the first boundary is the budget, then I have to consider, of course, whether the budget will allow me to establish the point of emphasis on personnel as clearly as I would like. If it does not, which I still certainly hope is not the case, then the necessary action must be taken to guarantee that the personnel side will not be neglected.

[Question] Will it also be included in these considerations whether or not to maintain the present personnel strength numbering 495,000 men?

[Answer] The size of the Federal Armed Forces which we can maintain will be determined by how good our flanking measures are, how they are endowed financially. But all those who have anything to say about this budgetwise must be aware what the consequences are if the armed forces are not in the position to keep its personnel strength due to a lack of funds.

[Question] One of the so-called "boundaries" you mentioned is drawn by the low birth rate years. Will the basic conscription period have to be lengthened because of that? By how many months? Do you consider such an extension to be politically feasible?

[Answer] I spoke of a catalog of measures. Increasing the proportion of those who sign up for longer service (extended service personnel; editor's note) would have priority for me. At the present time we have already turned a large proportion of our logistic units almost without exception into cadres (turned into cadres: Materiel and equipment available; they are tended by a few men from the regular personnel. Cadre units are augmented by reservists; ed.). Even a large proportion of the fighting units have been turned into cadres. Consequently, nothing more can be gained here. Further, part of the catalog of measures, in my opinion, includes that we should try exactly to reverse the proportion of extended service soldiers, which is now 40 percent as compared to 60 percent conscripts. That would be my first measure, because the positive side effects from an increase in the number of extended service personnel are

of great benefit to the armed forces: Reduction of the burden on training personnel, longer service periods which again could result in quality, in order to mention a few examples. This is priority number one for me. Of course, that only relieves part of the damage which we suffer because of the low birth rate age groups.

A second measure would be to try to reduce the proportion of service exemptions. That could be service exemptions due for example to non-use of soldiers whose use is restricted for medical reasons but who could be employed in units, a large number of units, where physical fitness does not need to be at the same level as for example that of an infantryman (storm trooper) in the rear battle area of a "marder" or that of an engineer.

Second, it would perhaps be good if by subjecting all young people to service, that is to say even all--and here I must make this very clear--all conscientious objectors, some of them would consider whether they really wanted to be conscientious objectors. Here I stress very firmly and do not want to be misunderstood, that I know that a large segment of the conscientious objectors have a heavy service load. And it would be also be fair to these young people, if everyone from the beginning had to assume that no matter what happens, he will have to perform national service. That is the second measure.

The third would then be to consider extending the service period. That is a legal measure, which would affect not only the armed forces but would also affect the economy as a whole. For the age groups with low birth rates, which occur precisely in our country in contrast to nearly all other countries in Europe, have a heavy impact on the economy as well. When I consider, for example, that perhaps it would be possible--always depending on the position of the legislator--to face a one-quarter (3 months; ed.) service extension, then I can envision that this is possible to accomplish and is also justifiable.

We must also take something else into account: When I think of our task, we must also consider how, in view of our deterrence and defense mission, we can bring about a consensus for our strategy in our population. I am thinking, for example, of the attempt to make us as independent as possible from the necessity of nuclear escalation due to the lack of strength on the battlefield. I would like nuclear first use to be a politically motivated deployment, which is decided by politicians in order to restore deterrence, meaning in order to end the war but not in order to be forced to continue a conventional war with nuclear artillery on the battlefield.

[Question] That is to say a rejection of carrying on a nuclear war?

[Answer] I have said that we will try to become independent of the nuclear constraints. We cannot forget nuclear deterrence as a whole; the nuclear knowledge is there. War must be prevented in areas where there is danger of escalation into nuclear confrontation. But in areas where as a result of a weakness of conventional arms a premature transition to a nuclear and then also a regionalized battlefield war would be possible, we would scarcely have an effective deterrent. This is why we need conventional strength and our young people as well, in order to have a certain deterrent effect already through a

high level of conventional capability and to enable political decisions to be made.

[Question] In this connection a question about the Geneva talks on intermediate-range nuclear forces (INF): On the one hand one hears time and again that the British and French nuclear weapons, which the Soviets include in the calculation cannot be counted because they were already included, and included in the balance, as intercontinental missiles in the Strategic Arms Limitation Treaty (SALT). Here a word of explanation about the role of the English and French nuclear weapons may perhaps be apt.

[Answer] I will attempt a word of explanation, but I do not intend to serve up information which would practically be to interfere in the Geneva talks. First, the alliance has always required that warheads and not aircraft or missiles should be counted. There is a SALT agreement which is applicable to this, which the Russians have agreed to. According to it, warheads are to be counted individually when each warhead can attack a different target (MIRV), but should not be counted as individual warheads when there are several in one system, which can hit only one target (MRV), however. This must be carefully differentiated, because there are constant misunderstandings here, even in the public discussion we are now having. This is where the SALT criteria apply, which were approved by the Americans and Russians and which were the counting criteria on which their agreements were based.

I am of the opinion that it is good that Soviet party chief Yuri Andropov has approached the Western position in at least one point. For only in this way does it become clear that the disparity in the intermediate range area below the equilibrium which we have ratified on the SALT level (for nuclear intercontinental missiles, ed.), is at the expense of security in central Europe.

As for the British and French systems, it is correct that they found a certain consideration in SALT I (the first U.S.-Soviet agreement to limit nuclear long-distance weapons; ed.) and were also the subject of discussion at SALT II. I have no information whether they were actually considered in SALT II.

One may learn from my statements that, due to their nature, the British and French systems perhaps belong more in special negotiations than in the INF negotiations (about intermediate-range weapons; ed.). They would be a burden on these talks, because they have an entirely different character, a totally different meaning than the weapons systems we consider important for the security of central Europe.

[Question] It is unequivocally clear from the Ottawa NATO Declaration in 1974 that the British and French nuclear weapons should be evaluated as a part of the joint deterrent. And when viewed through the eyes of the opposite side these weapons nevertheless do exist for them.

[Answer] These weapons exist for the Soviets. And this is why the way in which they are considered is a matter for the Geneva talks. One thing, and a decisive one: They do not have a deterrent effect against the SS-20 for the

security of the central European nations, because they are a strategic potential, comparable to the potential negotiated in SALT, which has been established for their own protection and are expressly not intended for the protection of the allies.

[Question] What chances do you really think there are that the Geneva talks about intermediate-range missiles will at least arrive at a defensible interim result?

[Answer] I would like to say the same chances as before. Precisely Andropov's latest statement has shown me that there is still some life in them. Moreover, the goal of the negotiations is too important to me to be prepared to give up as early as today. And the goal is in fact to reduce the unfavorable disparity for Europe which has recently developed below the level of strategic parity. In other words: The goal is not to have an alibi, to put up additional missiles in our country as well, but to reduce a newly developed threat that has an extraordinarily strong capability of putting pressure on Europe.

Once more I would like to remind people of something which many have forgotten: That the German government, headed by the chancellor at that time, by way of negotiation has tried to get the Russians to come around three times--twice in talks in Bonn and once in a discussion in Moscow--even before the double-track decision and also during this double decision. The Russians have continued to deploy (new SS-20 missiles; ed.) up to a magnitude which allows them for example to come up with freeze offers (freezing of the potential at the present level; ed.), while we have not yet succeeded by way of negotiation in achieving a reduction of the SS-20's and other systems to a level which eliminates the acute danger of nuclear blackmail and threat to central Europe.

Demands Are Always Brought up

And here I would like to stress once more: The arguments brought up, that one should consider what a threat has just been created for the Soviet Union by the Pershing II because of its short warning time--it is between 12 and 14 minutes, but one should not argue about minutes--this is exactly the threat that we are afraid of, which we are under and, by the way, which the United States is also under. Because Soviet submarines in the western Atlantic do not give the United States much more early warning even in the strategic area.

But it is decisive to me that if one achieves an understanding of the Soviet evaluation of the threat which comes about through subsequent arming, one must realize that this understanding can also be utilized for oneself, if this acute threat is already present for us, for which otherwise there would be no explanation whatever. For how can it be that the Soviet Union, despite its economic difficulties, has deployed this number--and that is the important thing--of SS-20 missiles?

[Question] For a few months NATO has been concerned with a study which is still in the making, the "Southwest Asia Impact Study." It deals with possible obligations by the NATO partners to support the United States when it assumes tasks outside the NATO region which are also in the interest of the

other alliance partners; the key word is "Out of Area." Is that intended as an expansion of the NATO region?

[Answer] Unequivocally no. From my time in Brussels I know of no attempt by NATO to expand NATO's area of responsibility. To be sure, NATO also has interests outside its geographically established region. How to protect these interests is a matter examined for example in the study you spoke of and which must be continued.

[Question] If this is so--what other forms of support are being discussed, if the United States for instance had to withdraw troops from Europe which are actually intended for NATO?

[Answer] I do not believe that the United States has any intention of withdrawing troops which are stationed in Europe for deployment for example in the "Rapid Deployment Force;" that has not been planned. It is quite another matter, that in a crisis situation which leads to a simultaneous critical situation in another area the Americans naturally have to ask themselves where their reinforcements go first. We know, for instance, that the forces of the Soviet Union which are stationed in the Soviet Union at a 650 to 1,000 Kilometers distance can be in central Europe in a relatively short time. We know that this is multiple, if not manifold the divisions which the United States is capable of bringing to Europe. This is why we obviously have a deep interest in how and with what strength the Americans can help us with conventional reserves, in order to guarantee that the conventional capability retains its effectiveness.

[Question] Besides the support, already established by treaty, of U.S. reinforcements in Europe by Federal Armed Forces reservists, for which 93,000 men are planned ("Wartime Host Nation Support"), the Americans are also interested, in the framework of this "Out of Area" discussion, in being relieved of the burden in Europe by additional Federal Armed Forces reservists in case they have to fulfill obligations outside Europe. The number being discussed is 80,000, primarily logistics personnel.

[Answer] The purpose of the "Wartime Host Nation Support" (support by the host country in wartime; ed.) is to enable the Americans actually to dispatch combat troops to the reinforcement forces, of which they are only able to make available to us a relatively limited number. For that reason we have declared that we are prepared to build up the logistics apparatus for these reinforcement troops by means of a certain reservist potential. The input which we have into this and which will use up a great number of our reservists, and also the cost required for this, will obviously have to be in sensible relation to the usefulness and to the number of reinforcement troops which we receive.

The U.S. side is actually itself obligated to furnish the logistics troops for their operational reserves for the alliance, a total of six divisions. Our

accommodating gesture should thus help the Americans so that it can actually be six divisions.

[Question] This "Wartime Host Nation Support" and the "Out of Area" problem (support for deployment outside the NATO region; ed.) must be kept carefully separated. I referred to the contemplated U.S. action to demand additional reservists, as is being discussed in a study group. What do you say to that?

[Answer] Our "Wartime Host Nation Support" refers exclusively to the safeguarding of the logistics basis for the reinforcement forces intended for us in central Europe. The support which is being discussed in the complex of studies, for example, which you broached and which has not yet been concluded, contains many possibilities. For instance, no one demands of us that we should directly deploy Federal Armed Forces "Out of Area," that is to say outside the defense of the NATO territories. Support can take many forms. Support can for example consist in making it possible for the Americans to settle crises outside the NATO treaty area by means of the forces intended for the "Joint Rapid Deployment Forces" without weakening the combat strength in central Europe. In order to mention a popular concept: In a critical situation it would serve no purpose to pull the plug out of the bathtub central Europe in order thereby to insert a non-existent plug in the bathtub southwest Asia. In other words: the old concept of making one hole in order to plug another. That would serve no purpose.

Demands are always being brought up in an alliance of sovereign nations. As long as I have known this alliance we have always had intense arguments among ourselves about one or another demand by a partner. Of decisive importance is not what demands this one or that one makes, but what is decisive is in the end what is agreed on in this alliance between sovereign nations. We, for example, are of the opinion that an important passage in this complex of studies is the fact that there are efforts in peacetime to shape a policy of cooperation with the nations in question in such a manner that crisis situations will not occur to the extent possible. That is for example a primary concern for the FRG, in line with many European nations.

[Question] Another problem in this connection is timely information. There is constant criticism that the NATO information apparatus is very clumsy; retired General Gerd Schmueckle, for example, has made similar statements. Do you believe that the present consultation mechanisms are sufficient, or could an additional consultation and information panel be necessary precisely for the "Outside the NATO Region" problem set?

[Answer] The opportunities for consultation are there. But in this alliance it will henceforth as well depend on those acting within the alliance to use it and actually make consultation into a joint evaluation of the situation before taking action. Consultation between sovereign nations is always difficult. But the alliance will always insist that it should take place, and before a certain partner acts.

Here I have a different opinion than General Schmueckle. It is not important to change the present committees, but it is important seriously to utilize the existing mechanisms, because they are there. One will always have to, I would almost like to say it, force people to actually utilize them.

CHANGES IN NATO'S CONCEPTS, STRATEGY MULLED

Bonn WEHRTECHNIK in German Jun 83 pp 14-21, 94

[Article by Franz-Joseph Schulze: "Changes in NATO Concept? Yes--But No New Strategy"]

[Text] Gen Franz-Joseph Schulze (Ret.), former NATO commander-in-chief, Central Europe, during the annual conference of the German Society for Military Technology, Incorporated, delivered a lecture on the topic "Changes in NATO Concept to Fend Off the Threat from the Warsaw Pact" which aroused much attention. He came out against a new NATO strategy but instead advocated a review of our semistrategic concepts. The conventional component must be boosted and the battlefield must be extended to hit the enemy where his attack is launched, supported, and sustained. A prerequisite for this consists of better reconnaissance means and in addition it is necessary to make more use of modern technology. All of this will also help raise the nuclear threshold.

The topic assigned to me, "Changes in the NATO Concept to Fend Off the Threat from the Warsaw Pact?" is couched in the form of a question. The question here relates to possible changes in the NATO concept. The question here does not call for a possible new strategy--and I hope I am in agreement on that with the questioner, that is, the sponsor.

We do not need a new strategy; what, after all, should take the place of the flexible response? Perhaps a return to massive nuclear retaliation in the case of a conventional attack on Europe? And that sort of thing in the age of strategic nuclear parity between the two nuclear world powers?

Or a "strategy of inflexible response," such as it was recently proposed by former French NATO ambassador de Rose, a strategy which would threaten the Warsaw Pact, in case of a major attack against Europe, with immediate and unconditional defensive measures involving the use of nuclear weapons--even if this initially involves only nuclear battlefield weapons?

Or perhaps a pledge not to mount a nuclear first strike which indeed robs the flexible response strategy of a corresponding characteristic, which would relieve the Soviet Union of any nuclear risk and which would thus again make the risk of a conventional attack calculable for it?

We should beware of the lighthearted and easy call for a new strategy, as if a strategy alone could restore the balance of power in our favor. I view with concern the attempts being made here and there to usher in a new strategy debate. The first big strategy debate within the Alliance resulted in the fact that the French pulled out of the integrated military structure of the Alliance. I am afraid that a second strategy debate would dangerously stress the Alliance's cohesion.

Reviewing Our Semistrategic Concepts

The thing at issue here is not a new strategy; instead we are concerned here with reviewing our semistrategic concepts in order then accordingly to determine the means which enable us to implement the Alliance's current strategy, that is to say, to make our response at last flexible--something which it has never been adequately since its introduction in 1967.

The issue here is not to replace nuclear deterrence with conventional deterrence. The close and inseparable bond of conventional forces and nuclear weapons on the European continent, with the strategic potential of the United States, is and remains the backbone of deterrence. Only this triad confronts the Soviet Union with the risk--which is incalculable and therefore unacceptable for it--that any military conflict between the two pacts could escalate into a nuclear war in which its territory would not remain a sanctuary. But this fact, this close and inseparable bond, is as weak as the weakest link in the triad, the conventional component.

The demand for strengthening our conventional deterrence and defense capability is as old as the North Atlantic Alliance. It extends from the 1952 Lisbon council meeting, where the organization of 96 divisions--50 in-being and 46 reserve divisions--was demanded for Europe's conventional defense, all the way to last year's Bonn NATO summit meeting at which time the heads of state and government agreed, within the context of current strategy and forces triad, to boost the Alliance's defense capability with special emphasis on conventional forces and, in the process, on a priority basis, to look for ways and means to make full use of new technologies.

The realization that, in the age of strategic nuclear parity, the imbalances below the strategic level, that is to say, the massive conventional superiority of the Warsaw Pact, like the completely altered threat to Europe from a whole series of newly-developed Soviet nuclear medium-range weapons, took on a different significance, provided new impetus for the discussion on strengthening conventional deterrence and defense capabilities. The possibilities offered by modern technology in terms of strengthening our conventional striking power for the first time in the history of NATO give this demand a realistic perspective.

Strengthening the Conventional Component

Here the important thing is not--and could not be--the demand for the build-up of a purely conventional deterrence and defense capability. The creation of a conventional balance between NATO and the Warsaw Pact through a corresponding effort by the West to catch up in terms of armament faces insurmountable

political, personnel, and financial difficulties. The United States and Great Britain would have to introduce the draft, the European countries would have to extend it. Because of the need for considerably increased in-being forces--in case of the elimination of nuclear deterrence--the FRG would have to be converted into a huge army camp for an undetermined period of time.

All considerations regarding the strengthening of the conventional component of our deterrence and defense capability revolve around the extension of the battlefield in the depth of the existing area, smashing the enemy air force on the ground, preventing the second-wave attack formations from closing up by destroying fixed targets to seal off the battlefield and by engaging these formations on the move and in their standby area. That is the change in the NATO defense concept which emerges clearly in numerous private, semiofficial, and official publications, for example, in the following:

An article by the former CG of the U.S. Army Training and Doctrine Command, General Starry, entitled "Striking Deep," published in MILITARY REVIEW, March 1981;

The concept of the U.S. Army Training and Doctrine Command 525-5, "Operational Concept for the Air Land Battle and Corps Operations 1986," dated 25 March 1981;

A report from Senator Nunn to the Armed Forces Committee of the United States Senate, dated 13 May 1982 entitled "Can the Alliance Be Saved?";

A press announcement by the current Defense Minister Dr Woerner, dated 21 May 1982;

A European security study entitled "Ways to Strengthen Conventional Deterrence in Europe," in which more than 50 independent personalities participated--independently of government instructions and industrial interests--and which is to be presented to the press in Washington, London, and Bonn on 16 May, and finally in what became known under the name of

"Rogers Plan" and what was expressed in the SACEUR force proposals.

Expanding the Battlefield

We must concentrate our efforts to boost our conventional striking power not only on the ability to beat off the enemy's first attacking formation. Imperative political and military requirements demand the expansion of the battlefield.

Imperative Political Requirements

Underscoring the defensive character of the Alliance and the West German Armed Forces must not reach the point where the other side is bound to get the impression that the victims of aggression are still prepared to bear the devastation and destruction of war all alone. This is precisely what would happen if we were to concentrate our efforts only on beating off the leading attack

formations. The attacker must be hit where his attack is launched, supported, and sustained. It must be made clear to the attacker that his territory will not be inviolable. Making that perfectly clear is an essential element of deterrence, as such, but also to restore the confidence of our own population in our defensive capability.

Imperative Military Requirements

Our defense lacks depth in geographic terms. But fire and movement are the elements of battle. And because we lack the manpower to gain the necessary space for mobile defense through major counterattack in the depth of enemy territory, we must carry the fire into the enemy depth in order to slow down and interrupt the closing-up of the following enemy attack formations and to neutralize them. The attacker's numerical superiority, which allows him to echelon his formations, forces us to make such attacks in depth.

The defensive battle cannot be won and is bound to be lost if all efforts are aimed at beating off the first attack formation and if the echelons are not attacked simultaneously. The attacker's numerical superiority enables him at any time to establish a local superiority of, shall we say, 5:1, wherever he wants to force a breakthrough. His numerical superiority however also enables him--and his semistrategic concept demands this--to relieve the formations of the first attack echelon, if they have been weakened by initial losses, that is to say, after a short time, after 36 or 48 hours, and to replace them with fresh formations. Even if we may assume that the defender's losses in a well-prepared, stubborn defense are less, perhaps considerably less than those of the attacker, after this change in echelons, after the supply of new and fresh formations in the attacker's second echelon, the balance of power would no longer be 5:1 but rather already something like 7:1; and if the same process were to be repeated after another 36 or 48 hours, during which the defender's losses would now necessarily be heavier while those of the attacker--against a battered defender--would be less, then the balance of forces at the end of the second but at the latest after the third echelon exchange could certainly be something like 10:1. You can modify loss rates which change the time frame during which the change in echelons take place but the trend remains the same: A continuing shift of the balance of forces to the disadvantage of the defender--at any rate, so long as he does not have adequate reserves to relieve his battered formations. Therefore, the slowdown, interruption, and attrition of the formations in the attacker's following attack echelons is a compelling prerequisite for successful defense.

But there is more to it than that: The credible ability effectively to engage the following attack formations gives deterrence a new dimension, in dealing with an attacker who for more than half a century--in material and intellectual terms--invested so much in the breakthrough operation with all of its requirements and who obviously--obviously in the absence of a credible threat to his following formations and also fully confident of his constantly growing air defense capability--worried very much less about how he can move the following attack formations forward, into the right sector and at the right point in time.

Smashing enemy tactical air --at the earliest possible moment--is another prerequisite for successful defense in a forward defense situation. Nothing underscores this necessity more clearly than the reference to the fact that, at the beginning of the 1970's, barely one-third and, a decade later, already three-quarters of the tactical air units of the Warsaw Pact have an offensive capability. If to that we add the novel threat from a large, rapidly growing fleet of attack helicopters, then the picture of the concentration offensive potential of the air forces of the Warsaw Pact and the resultant threat to our own operational capability is complete.

It was then also in all of our maneuvers above all the rapid and decisive deterioration in the balance of forces in the air sector which forced us to begin thinking about the necessary use of nuclear weapons. The strengthening of our conventional striking force must therefore include, as an essential element, the ability to smash the enemy air force on the ground.

No Switch to Forward Defense

Allow me once again emphatically to stress this: The expansion of the battlefield into the depth of the enemy's territory is no new strategic concept. Nor does it signify a switch from forward defense to "onward" defense. With this kind of play on words we only too often in the past played into the hands of those who are only concerned with preventing the strengthening of our defensive and deterrence potential. We have one and the same forward defense, whether we talk about beating off the first attacking echelons, about engaging the following formations, or about smashing the enemy air bases to defeat the enemy's air force. All of these missions are integral elements of the flexible response strategy as it was spelled out in MC 14/3; all of these tasks have always been a part of our semistrategic defense concepts. But the means available for accomplishing these missions were inadequate when MC 14/3 was approved and they are still inadequate.

The better utilization of modern technology--and the therefore necessary shift in the accent in our semistrategic concept--offer us more efficient and also more cost-effective possibilities for strengthening the conventional component of our deterrence and defense capability. I am talking here about available technology, not about "science fiction." I also warn here against delivering, along with such downgrading terms, those slogans which often verbally subscribe to the necessity of improving our conventional capabilities but which question the possibilities of practical implementation from the very beginning with references to the "futurologist" character of the proposals.

Experience teaches us that, in an alliance of sovereign nations with different national interests--in contrast to the Warsaw Pact, an alliance with forced subordination--agreement on changing the strategy can be achieved only very slowly anyway. Changes in semistrategic concepts, even shifts in emphasis within these concepts, can be implemented only slowly and gradually for a series of reasons: Limited budget funds, firm force and armament plans, and also the fact that, in West Germany alone, the armed forces of six different nations would be affected by such changes.

Better Reconnaissance

No improvement in the fighting strength of our own formation can have a full effect if our formations are taken by surprise in their peacetime garrisons or on the way to their operational areas. We therefore must minimize the danger of being taken by surprise. Of course, surprise cannot be ruled out entirely. The best intelligence service in the world will hardly be in a position to supply absolutely unambiguous indications as to an impending enemy attack. Of course, indications as to unusual military activities on the other side will always exist. Their interpretation however is left to the subjective judgment of the political action sector, the response to such indications of its resoluteness and action capability. But resolute political action and the ability of the fighting forces instantly to respond to that--that is one thing; just as important and perhaps even more important for the attacker is this: Whether he can be sure that NATO did not respond, whether he can be certain that the gates are wide open for him, or whether he must gamble and bear the risk of uncertainty.

Available technology, such as, for example, the Pave-Mover Radar--I am talking here about reconnaissance capacity and not about the ability for the terminal-phase guidance of weapons systems--would enable NATO to develop a reconnaissance system which no movement on the ground would escape and which therefore, by virtue of its mere existence, would increase the attacker's uncertainty as to whether his initial movements were discovered and how NATO responded. Such a reconnaissance system should if at all possible--like the AWACS fleet--be under NATO command already in peacetime.

So long as such a system is not available, the nations must at last be persuaded to subordinate the reconnaissance units and equipment of their forces, for example, their air reconnaissance squadrons, but not only them, to NATO already in peacetime--as they have already done in the case of the air defense forces. But the minimum requirement is the transfer of command and control to the NATO commanders, the subordination of the reconnaissance forces to the semi-strategic command of NATO in response to all unusual activities on the other side, for example, during big Warsaw Pact maneuvers, outside the NATO alarm system, in order at least to facilitate the coordinated employment of the already inadequate reconnaissance means.

Target Reconnaissance

The increase in artillery firepower according to the number of artillery pieces and the range was the response of the Warsaw Pact to the growing AT capability of NATO which began with the development of AT missile technology. Today, the Warsaw Pact has an artillery potential with which it can not only neutralize our AT defenses but can decisively weaken our forces that are employed in the delaying-action zone. We cannot expose these formations--which have the mission of directly engaging the enemy along the border and inflicting losses upon him already before reaching the main defense sectors--defenselessly to the steamroller of Soviet artillery concentrations. We must develop the ability to neutralize any artillery in order to regain the option of effectively wearing down the enemy attack formations already in the delaying-action zone.

This requires not only more artillery with greater range and area-covering ammunition. All improvements in artillery firepower--and that applies equally to air attack formations--remain meaningless if they are not paralleled by a decisive improvement in the target reconnaissance and rapid data transmission capacity. Here we come to one of the greatest weaknesses of the NATO formations. Our present-day target reconnaissance and data transmission facilities do not enable us even to achieve the effective full utilization of available firepower. Anyone who relies on sound-ranging and flash-ranging artillery reconnaissance is bound to conduct the firefight not with the technology of the last war but with that of the war before the last war. Anybody who relies on reconnaissance drones without real-time data transmission can, at best, expect to wait several hours before getting a better situation briefing on the enemy situation.

But, as always, we are concerned here with more than just the solution of technological problems; changes in concept, employment principles, and staff procedures must go hand in hand with this. The dualism of battlefield surveillance and target reconnaissance is misleading. Reconnaissance must be oriented much more than in the past toward target reconnaissance. Nothing provides better information on the enemy's order of battle and helps more in assembling the big picture than the reconnaissance of targets, such as artillery concentrations, formations in the assembly area and on the march. Target data must not be drowned in a flood of reports in information centers, fusion centers, and reconnaissance cells. They belong in the fire control centers without time loss.

Preventing the Second Wave's Attack Formation from Closing up

The attacker's overall success depends decisively on whether he can quickly and without disturbance move the following attack formation forward, into the correct sector and at the correct moment. That is no new discovery. Sealing off the battlefield, "interdiction," has always been very important in the army's requests addressed to the air force. In view of the dense, area-covering air defense of the enemy however NATO's options have been heavily restricted. But the slowdown, interruption, and attrition of the formations in the second attack echelon remains a compelling requirement for a successful defense--and I am talking here both of the second semistrategic attack echelon, that is to say, the second echelon of the armies that are mounting the initial attack, and about the second strategic echelon, that is to say, the following army. This is why NATO must regain the option of effectively preventing the enemy from moving up his second attack echelon. This need not and, in my opinion, should not mean an attack on mobile targets with target-seeking subcaliber ammunition, that is to say, an attack on moving tank columns, deep in enemy rear areas--at least not during the first phase of the gradual implementation of the improvement of our conventional capabilities.

Instead, we should convert mobile targets into stationary targets. For that, we do not need to dig any AT ditches, as the Israelis did on the Golan Heights and as British and American military historians recommend that we copy today. Nature has given us the biggest AT ditches in the form of rivers such as the Elbe, the Saale, the Moldau, the Oder, and the Neisse. We are familiar with the crossing possibilities along these rivers, the fords, and

the prepared bridging sites. They must be watched and they must be blocked with area-denial ammunition. At the right moment means this: After the crossing has been started, when the first reconnaissance platoons have crossed over and when the following combat formations are on the march to the crossing point, as they become jammed up there, thus forming massed targets.

Most of these crossing points are beyond the range of our artillery, even the multiple rocket launchers with increased range. Ballistic scatter ammunition is suitable for attacking crossing points; massed targets, such as the formations that are jammed up behind the blocked crossing points, justify the use of manned combat aircraft, especially if they are equipped with stand-off weapons.

The reconnaissance and data transmission problem could be solved much more easily and much more cheaply than in the case of the reconnaissance of mobile targets deep in the enemy rear areas. We would need neither the high resolution capacity of the reconnaissance sensors, nor the high information renewal frequency and thus also the high scanning and transmission rate of data transmission systems, such as during the reconnoitering of mobile targets.

Smashing Enemy Air Forces on the Ground

Earlier I mentioned the growing offensive potential of the Warsaw Pact air forces. It decisively helped in opening up new options for the Warsaw Pact or increasing the success chances of existing options. This offensive potential is the real element in the growing danger of being caught by surprise. It moreover offers the Warsaw Pact the possibility for massive blows against the air defense installations and air attack bases of NATO and against the deploying ground forces. This is why smashing enemy tactical air units--at the earliest possible time--is another decisive prerequisite for successful defense in forward defense, but also for successful defense on the part of the ground forces.

The most effective way to smash the enemy air force, indeed, the most effective air defense, is the attack on the enemy air force on the ground. The first raids on the main bases of the Warsaw Pact air forces must be staged as an immediate response to the enemy attack so that the returning aircraft of the first attack wave will already have to be diverted to alternate airfields. This requirement for a fast response can be met only by ballistic missiles. The greater vulnerability of enemy combat aircraft at less protected alternate airfields justifies an attack against them with manned combat aircraft.

The employment of ballistic missiles in the conventional configuration among some peace researchers and politicians raises the following question: "How should the Soviet Union recognize whether this is a conventional or atomic weapons delivery vehicle?"

Apart from the fact that I would like to hear a question as to how we should recognize whether the SS-20, SS-21, SS-22, and SS-23 missiles, which are aimed at us and which are fired at us, are equipped with conventional atomic, or chemical warheads, this problem by virtue of its nature is not a problem that arises only as a result of the demanded improvement in our conventional capabilities.

The same question already today faces the Soviet Union in connection with all "dual-capable" weapons systems. It is not changed qualitatively either by the use of conventionally equipped ballistic missiles, such as, for example, a conventional variant of the Pershing II. A Tornado, even an F-4, which has found its way through heavily defended territory in very low-level flight to a target in the enemy rear areas and which now pulls up to drop its bombs, confronts the Soviet Union with the same problem. More than that, while the conventional bomb dropped at that time really, prior to its detonation, cannot be distinguished from a nuclear one, the differences in the conventional Pershing II compared to the nuclear configuration can be recognized not only in the flight path but also in the "radar cross-section" on the enemy radar. These two configurations also differ clearly from each other in their external shape and this is significant in the verification of arms control agreements.

Let me at this point conclude the series of illustrative examples for the necessary improvement of the conventional component of our deterrence and defense capability.

The formulation of my topic did not include the question as to the necessary funding for the implementation of the concept proposed. I will therefore confine myself to a remark on that question. The important thing is not only what can be done right now, in a time of very tight budget funds, but rather perhaps even much more so, what can be done to make sure that we do not go the wrong way in the future. At the 53rd conference of the Society for Military Technology last year, State Secretary Dr Leister pointed out that planning the "all-around renewal" of the West German Armed Forces in the beginning of the 1970's to a great degree was influenced by follow-on thinking but that, in looking at future military requirements, all operational and technical solution possibilities must be considered and that outdated structures and outdated operational concepts must not prejudice the decisions along the lines of simple follow-on thinking.

Raising the Nuclear Threshold

Efforts to strengthen NATO's conventional options are urgently necessary also in order to raise the nuclear threshold. The nuclear threshold is not a function of the availability or usability of nuclear weapons systems but first of all and above all it is a function of conventional fighting power. Nobody will use nuclear weapons so long as he can hope to attain his objective with conventional means.

In a time of strategic nuclear parity and massive Soviet superiority in the field of far-reaching nuclear medium-range weapons, we must reduce our own dependence on the early first strike involving nuclear weapons. We must also rid ourselves of the compulsion to have to employ nuclear weapons after a few days because of insufficient conventional forces. That should be a question of high political priority in our countries.

In his previously mentioned report, Senator Nunn observes that the gradually developing consensus on this question runs through the entire political spectrum, from defense-oriented conservatives to the responsible segment of the antinuclear movement.

The Soviets are good students of von Clausewitz. They converted his principle about war being the continuation of policy with other means into the maxim of the fear of war as a means of policy. The strengthening of our conventional options last but not least would also restore the confidence of our population in our defense capability, that indispensable prerequisite for political steadfastness against attempts at intimidation through the demonstration of superior military might.

5058

CSO: 8120/1483

POLICE STAGE MAJOR ANTI-ETA RAID IN VIZCAYA

Madrid DIARIO 16 in Spanish 2 Jun 83 p 5

[Article by Juan Manuel Idoyaga: "Heavy Police Blow Against ETA in Vizcaya"]

[Text] Within a period of a week, the police dealt a heavy blow to the terrorist organization ETA [Basque Fatherland and Liberty]-military when three of its commando groups were dismantled. The third commando, uncovered yesterday, went by the name of Basañez, was operating in Lejona and consisted of three members one of which managed to escape from the police raid. That commando group had hidden a large amount of explosives and weapons which were discovered in three caches.

Bilbao--If the charges brought by the police against a group of people under arrest are confirmed, the ETA-(m) [Military branch] will have been dealt in the last few days a heavy blow in Vizcaya where it has already been announced that three legal commandos had been captured within a period of a week.

After the announcement made by the civilian authorities confirming the arrest of members of two legal commandos last week in Barcaldo and in Bilbao, a communique issued by the Higher Police Headquarters announced yesterday that a third commando, known under the name of "Basañez," which was operating out of the locality of Lecona in Vizcaya, had been dismantled and that the men allegedly involved were Francisco Jose Eguskiaguirri Izquierdo, born in Bilbao on 24 September 1959 who is not married and works as an employee, and Victoriano Galbarriatü Azcue, born in Letona where he lives, married and a mechanic by profession.

Training

The third alleged member of the commando, Juan Vicente Jaureguizuria Uria, also a resident of Lejona, is reported to have fled escaping the police raid, according to the same sources.

The police has also released data concerning the commando "Basañez" where it is said that "it was created in 1978 after its leader, Bonifacio Garcia Nuño, underwent a training course in France then was given weapons which were hidden

in four caches, three of which were located in the woods of La Mota and the fourth in the wood of Bolumbulu, in the municipal district of Lejona."

The police communique states that the commando had stolen three cars at gunpoint, was responsible for the explosion of a device at the Citroen plant in Algorta, had set fire to three Land Rover vehicles property of the Iberduero Company and had carried out an attack against the owner of the Tito Restaurant in its own town and during which a customer was wounded.

Arrests

They are also accused of having provided information about an officer of the Civil Guard who lives in the Street of Blas Otero in Bilbao; about a person known by the nickname of "Chuchi de Zorrora" whom they accused of being an informer; about various agencies of the Renault Company and about the Bilbao Naval Command's installations and security services as well as about a sergeant posted there.

According to that same source, the members of the commando conducted firing practice in the woods of San Antonio, in Lejona, and it was in that area that the three caches were discovered. The caches consisted of three plastic barrels underground and they contained 18 kilos of explosives of the Goma-2 type, 5 electrical detonators, 5 hand grenades manufactured by ETA, 3 electrical blasting caps, 4 meters of slow-burning fuze, 4 masks, 800 cartridges of 9 mms. for Parabellum--made SF and FN--, 2 eyeglasses prepared to prevent vision, 2 rolls of silk tread to set up booby-traps and a flashlight.

After arresting the alleged commando group, the police continued making arrests yesterday in circles suspect of having connections with the ETA (m). Many of those arrested will be subsequently released without bringing charges against them but the arrests continue and yesterday, for instance, five more persons were taken to the police station and three of them were released.

8796

CSO: 3548/438

GAS FOUND IN TEST WELL ON FAEROE ISLANDS

Copenhagen BERLINGSKE TIDENDE in Danish 10 Jun 83 Sect III p 4

[Article by RB: "Hope for Faeroe Oil and Gas"]

[Text] Theories regarding the occurrence of oil and gas on and off of the Faeroe Islands appeared to be becoming a reality, for gas has been found in the reopening of a two-year-old test well on Suderø.

Section Chief Ebbe Holmboe from the Danish Geological Research Bureau (DGU), which has carried out the test drilling for the Faeroese home government, reports that geologists in coming months will analyze the new gas find but only if further drilling or seismic investigations take place can it be disclosed how large amounts of gas are present beneath and off of Suderø.

"There are, however, occurrences of pit coal on the island, and it cannot be totally ruled out that the gas in the area originates here," the section chief says.

Meanwhile, the multinational oil companies in recent years have been somewhat interested in the substrata of the Faeroes, which could indicate a well-founded belief in the presence of oil and gas. The home government hitherto has refused requests from private oil companies for permission to investigate more closely the substrata of the Faeroes.

Major oil and gas finds have been made between the Faeroes and the British Shetland Islands and it is no secret that several oil companies have illegally made seismic investigations within the Faeroese continental shelf. And the gas find on Suderø will quite certainly strengthen the companies' interest in the area.

The home government, however, does not have immediate plans to do anything in connection with the surprising gas find, for it wants to wait for further estimates from geologists.

8985

CS0: 3613/131

INTERNATIONAL INDUSTRY LEADERS DEBATE GAS EXPORT PROSPECTS

Oslo AFTENPOSTEN in Norwegian 8 Jun 83 p 33

[Article by Bjørn H. Tretvoll: "Demand for Norwegian Gas if Price Is Reasonable"]

[Text] In spite of downward adjustments of forecasts of development in gas consumption, the countries on the Western European continent will be able to purchase considerable amounts of Norwegian gas in the 1990's and later. The continental market will continue to regard Norway as an especially favorable supplier of gas and the prospects for new Norwegian contracts have not been lessened as a result of the contracts entered into for purchase of gas from the Soviet Union. Director Burckhard Bergmann of the West German Ruhrgas Gas Company said this at the European Gas Conference in Oslo on Thursday.

But both Bergmann and Director M.W.H. Peebles from Shell International Gas emphasized that if it turns out that the cost of developing new Norwegian gas fields becomes so high that the prices which can be reached in the Western European market do not justify such development the Norwegian authorities must be ready to take the tax regulations for the oil industry up for new consideration. If the price of gas supplied to the current market is not competitive, the situation can alternatively become that the gas remains where it is without producing any income at all for the producing country, Peebles said.

Bergmann considered it reasonable that Norwegian gas throughout the 1990's will be able to cover up to 20 percent of gas consumption in West Germany, France, Belgium and the Netherlands. Such a share of the market will, with the consumption forecasts now used as a basis, mean that Norwegian exports to these countries will reach 30 billion cubic meters a year, something which again requires entering into new contracts for delivery of more than 20 billion cubic meters a year before the year 2000.

Bergmann estimated that the total demand for gas in Western Europe will reach 280 billion cubic meters in 1990 and increase further to 315 billion cubic meters a year in the year 2000. For the four countries named above the corresponding figures will be respectively 145 billion and 155 billion cubic meters. This will mean that natural gas will cover about 18 percent of total energy consumption. These forecasts assume that new gas can be delivered at prices which make it so that the gas companies in these countries do not lose their share of the market.

Unequal Forecasts

Director Peebles operated with a high and a low alternative for his forecasts. In the high alternative he believed that gas consumption in Western Europe will be about 250 billion cubic meters in 1990 and about 190 billion cubic meters in 2000. The lower alternative gave about 230 billion cubic meters in 1990 with an almost insignificant increase to the turn of the century. Both these forecasts assume an unchanged relationship between the price of gas and alternative energy sources. The difference lies, among other things, in the assumptions regarding economic development in Western Europe and in the development of crude oil prices.

If the lower forecast comes true, Western Europe's gas consumption will be covered for a bit into the 1990's. After this there can be strong competition between unequal producers to supply the new gas which is needed, Peebles said.

Bergmann, who used as a basis a distinctly higher import demand for Western Europe than Peebles, strongly emphasized that gas buyers on the continent are very interested in procuring gas from Sleipner. The time for the start of production from this field will well suit the existing demand, Bergmann thought, who, however, completely ruled out the fact that it would be possible to pay just as high a price for Sleipner as for gas from Statfjord.

Norway Can Choose Oil Over Gas

Norwegian gas will never be an inexpensive alternative to gas from the Soviet Union and Algeria for consumers in Western Europe. If European buyers are not willing to pay gas prices which make the development of Norwegian gas fields justifiable, it will be necessary from the Norwegian standpoint to speculate on development of new oil fields. This was the clear message Administrative Director Arve Johnsen of Statoil presented to Western European gas buyers in his speech at the European Gas Conference in Oslo on Thursday.

Johnsen said that Statoil now believes it is technically possible to have a pipeline system ready for transport of oil to Mongstad from fields in the northern part of the North Sea around 1987-89. Such a system with oil from fields such as Gullfaks, Oseberg and Troll will be able to have a capacity of about 600,000 barrels per day. Later it can become important to connect other oil fields to this system, first and foremost Saga's discovery in block 34/4, which according to all estimates also stretches into block 34/7.

Johnsen's play must be seen against the background of the discussions which are now taking place regarding the sale of gas from the Sleipner field and the hard tug-of-war which is now in progress between the sellers, represented by Statoil, and the buyers regarding the price of this gas.

Norwegian gas production by the end of this decade will be around 30 million tons of oil equivalents (toe) per year. Through to the turn of the century this production will be able to increase to 40 to 50 million toe. The decisive thing will be the price which can be gotten for new Norwegian gas, Johnsen emphasized.

Through into the 1990's the countries on the Western European continent will have a demand for imports of new gas. Norwegian gas will never be an alternative to gas from the Soviet Union and Algeria, but Norwegian supplies will be an important addition to gas from these countries, Johnsen said, who also counted on new deliveries from Norway to Great Britain in the 1990's. High development costs and shipments based on longterm contracts from a stable area dictate that Norwegian gas should be able to get a price somewhat higher than that paid for other gas.

The first test of whether this will come true in practice will come during the Sleipner negotiations. This field is now from the technical viewpoint ready for development but Johnsen stressed that the time for development will depend on whether a price is reached which is sufficient to justify the large investment required by development.

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INDUSTRY CONFEDERATION URGES FASTER DRILLING PACE

Oslo AFTENPOSTEN in Norwegian 31 May 83 p 33

[Article: "Oil Exploration Should Be Increased"]

[Text] The Norwegian Industry Federation emphasizes the necessity of building up a "reserve" of development alternatives in the North Sea which will be able to be carried out even in periods with slighter development of oil prices than expected. Although the federation looks positively at exploration operations off of North Norway the uncertainty of recent times with regard to oil prices has heightened the need for allocation and exploration in blocks in the North Sea. This is how it reads in a statement from the industry federation to the Storting's energy and industry committee in connection with the Storting's report regarding the prospects for the petroleum industry which is to be discussed during the course of the year.

The industry federation thinks that the authorities ought to consider terminating the arrangement whereby Statoil's [Norwegian State Oil Company's] expenses in the exploration phase are covered by others and whereby the State commits itself to covering exploration expenses if development permission is not given or to covering a greater part of exploration costs than Statoil's owners shares should dictate both for Norwegian and foreign companies.

There has been too strong focus on possible recovery of gas off of North Norway, the industry federation believes. Both costs, the uncertainty regarding future gas prices and the vagueness with regard to possible transport solutions dictate that development of a gas field off of North Norway is not to be begun as long as this is not clearly economically profitable.

"With today's gas prices it is hard to see profitability in gas development off the coast of North Norway," the industry federation asserts in its statement.

Norway is poorly prepared to tackle the consequences if the Sleipner and Oseberg fields should not be profitable to develop. We can no longer take it for granted that the development projects in the North Sea will stand in line. The challenge will be to make development on the Norwegian Shelf profitable also with an oil price of around 20 to 25 dollars a barrel.

But, regardless, the industry federation believes that the oil prices emphasize the necessity of preventing the oil sector from indirectly or directly destroying possibilities for expansion in our traditional industry. Norway must not allow the creation of assets in industry which is not oil-oriented to continue to decline.

The Norwegian Industry Federation points out also that the authorities by making financial investments abroad will be able to meet fluctuations in oil revenues in a manner which affects the Norwegian economy in the least possible unfortunate manner. In the opinion of the industry federation as much money should be placed abroad for the returns to be of the same size as the State's current oil revenues.

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CVP'S DUPRE ON PROBLEMS OF COCKERILL-SAMBRE

Brussels KNACK in Dutch 1 Jun 83 pp 29-31

[Interview with Jos Dupre by Karel Cambien: "The Walloons Must Pay for Cockerill themselves"]

[Text] Jos Dupre comes from Kempen and serves in the Chamber of Representatives, where he is the CVP [Social-Christian Party] specialist in the problems of the steel industry. His close acquaintance with the minutia of the report files has provided him with an almost prophetic aureole. Today it seems that all his earlier prophecies were accurate. Even before the famous steel plan of May 1981, Dupre warned that debts were on the point of piling up and that there was no real promise of recovery. Even before Jean Gandois set his high-priced advice to paper, Dupre was already saying that only a trimmed-down Cockerill-Sambre had any chance of survival and even that would cost a lot of money. Dupre was even so kind as to quote the figures, and they are turning out to be accurate as well.

The Gandois report bears out the prophecy of Jos Dupre, but he is not satisfied. He wants to make the Walloon region aware of its ultimate responsibility. "If the Walloons are not willing to support Cockerill-Sambre by themselves, the government will fall," says Dupre in the following conversation.

Jos Dupre: I forecast what is happening now in two inquiries in 1981. I warned then that the financing of Cockerill-Sambre was headed in entirely the wrong direction. The ultimate goal of making the business profitable and healthy again was virtually ignored. The only thing that happened was the piling up of operating debts, a burden that the company couldn't carry even in the best of economic times. Besides that, the funds placed at the company's disposal were not even released via the normal channels. They didn't go through the budget process, which is a violation of democratic controls in the Parliament.

The total plan of May 1981 was based on false reasoning. It was predicated on a growth strategy at the very moment when there were clear signs that things were becoming steadily worse in the steel sector. Actually, everything went wrong for Cockerill-Sambre, but I forecast it all on the record in 1981.

The merger, for instance, is a failure, and I've said that more than once. It was dictated by purely political motives, not by economic criteria. Charlier and Frere had only one aim with this merger: to get the government to come up with the money. But these same people said earlier on more than one occasion that a merger made no sense. Ten days before the merger, Willy Claes had defended extravagantly the idea of decentralization. But Andre Cools then urged Claes to drop the idea. I also warned in 1981 that if there was to be a plan it had to be worked out as a whole.

In other words, it must not be one that would allow the money to be spent by the healthy branches of Cockerill-Sambre. The difficult parts of the plan were the social pact, a precisely stated timetable and a well-timed supervision contract which stipulated an outline of the course to be followed. None of all that has been turned in to us so far, but the money has been spent already. It was difficult to win approval of my proposal to treat equally the steel of the Walloon region and Flanders. In order to help justify the whole finance plan for Cockerill-Sambre, some consideration for Flanders had to be written into the plan. It was called the Dupre formula and provided that if Cockerill-Sambre had a production capacity of 8.5 million tons and Sidmar, for instance, had a capacity of 3 million tons, then assistance had to be granted according to this proportion. But there were many problems with the execution of this idea. There is probably some regret about it now, certainly in the VU [People's Union], although this party has the most reason to blame itself.

The People's Union Party has only sporadically spoken up in the Cockerill-Sambre case. Schiltz has reported at most one or two general things since 1981. The VU has never taken the trouble to study the ins and outs of the legislation. That's strange. But now all Flanders had to pay for it.

[Question] Now there is the Gandois Plan. Is it responsible to pour still more money into Cockerill-Sambre?

Dupre: The prospects are not good. The Gandois Plan will cost a lot of money too, more than people want to believe. The figures in the plan agree for the most part with my forecasts. But even if the Gandois Plan is carried out, the operating losses will continue for some time yet. I see an operating loss in 1981 of 1 billion per month. The amount for new investments comprises the second component of the cost of a radical restructuring plan. Gandois has said that this amount must be held to a minimum, but in the past it has always turned out that the estimated figures were always grossly exceeded.

The third and most important component is the debt burden from the past. This could run to 130 billion for the Cockerill-Sambre Company, much more than even the most pessimistic forecasts have predicted. If they have to borrow 130 billion at 10 percent, that means that they pay out no less than

20 percent of their total sales just for interest. There's not a single business in the world that can carry a financial burden that heavy.

Of course, Cockerill-Sambre has a considerable social and economic impact all over the country. But the fact is that the rules of the game are the same for such businesses as they are for smaller operations. We cannot afford the luxury of keeping alive by artificial means a large but deathly sick mastodon like Cockerill-Sambre that is doomed to continue going downhill.

[Question] Does Cockerill-Sambre have to be wholly written off, contrary to the prescriptions of Jean Gandois? In February, you came up with the idea of a supervised bankruptcy, but your party didn't support you on it. They said that you were going a little too far.

Dupre: Cockerill-Sambre should not be simply written off. Actually, I still stand by what I said in February. There are parts of Cockerill-Sambre that are healthy and can be preserved: Phenix Works, Carlam, Cockerill Mechanical Industries, Valfil maybe, and some other small operations. Valfil should be reduced to half its capacity because the market doesn't justify letting the entire operation continue.

But, actually, the same is true of the whole business. Cockerill-Sambre is the least profitable steel business in Europe anyway. It is therefore only logical that production capacity be trimmed back the most. Evidently, people don't understand that, though. Trade union leader Robert Gillon says that Cockerill-Sambre has to run at high capacity in order to bear the vast costs and financial burden. That is totally wrong. What he turns out that way, he'll never be able to sell. No, only a drastically trimmed down Cockerill-Sambre still has a small chance of survival. Gandois says that explicitly as well and he also stipulates that the proposed plan, calling for shutdowns and drastic layoffs, must be carried out as quickly as possible.

These shutdowns and layoffs would mean lower wage costs. The costs of wages have always in the past had a tremendously negative effect on profitability. Once Cockerill-Sambre has been trimmed down, maybe the unprofitable merger can be canceled out too. Probably for tactical reasons, Gandois hasn't mentioned this. In any case, it's true that the branches must be allowed greater autonomy, whether they are legally separated from one another or not.

[Question] Your ideas on the matter are somewhere between supervised bankruptcy along with decentralization and drastic cutbacks, and that appears to be a defensible position. But as far as the execution of any plan, the question arises whether the average citizen will accept it all. Should so much money be poured into a business that so far has only shown itself to be unprofitable? And if they are willing to spend more money on Cockerill-Sambre, who is going to pay for it?

Dupre: It's no longer going to be the Flemish citizen, that should be clear. Indeed, it's about time that Flanders raised its voice in this debate. Solidarity does have its limits. I believe that the limit has clearly been reached. In the Matthijs Report, we read that the funds appropriated

for Flanders and the Walloon region have been approximately equal. But in carrying out these committed funds, the Walloon region is favored over Flanders. In this sense, the balance is grossly distributed already. They cannot be asked to display any extra solidarity. If the terms agreed upon were exceeded, as is the case now with Walloon steel, then the region in question should accept its own financial responsibility. What was agreed upon earlier must be carried out. Anything beyond that is the responsibility of each region. If Flanders one day exceeds the shipyard subsidy, then it must bear this cost itself.

There are two crucial questions that the Walloon region must answer carefully on the steel problem. Is it willing to carry out resolutely a definite industrial plan? And is the Walloon region also willing to pay for it? In any event, Flemish money can no longer be poured into the Walloon region's steel. As far as I'm concerned, the money must come from the Walloon regions and from no place else. No other idea has any merit.

Look, you shouldn't forget that Flanders has its problem sectors and problem districts too. Some districts are so bad off, considering the population growth, that it would be entirely justified to appropriate money for them. But not a single government has plans for this purpose. Not a single government has invested billions in it. Flanders has its problem areas, too: 70,000 to 75,000 workers have been laid off in the textile industry. There was a reduction from 38,000 to 22,000 at Cockerill-Sambre. When you take that into account, Flanders has much more right to shares from the national pot. But that hasn't happened. And the people are right in feeling that that is an injustice. To take money out of the national treasury for Walloon steel again now would be the worst conceivable insult to Flanders. Not a single plan so far has been carried out according to the agreements. If the Walloon region is not willing to finance its steel industry by itself, it will have to forget the whole deal.

Flanders should actually have put an end to this senseless solidarity a long time ago. The Walloon region has to come up with the money now, and all I can say is that I hope that not a single Flemish party gives an inch on the matter. One problem in returning financial responsibility to the regions is the problem of the state guarantee, but a solution could be found even for that.

Question Looking at it that way, couldn't the national sectors be regionalized more quickly than people think?

Dupre: This regionalization is universally desirable, and I've advocated it for a long time. I presented a model in 1979, showing that up to 50 percent of the economy could be regionalized. Only a small portion of our institutions and economy were regionalized in the national reorganization of 1980. The current dissatisfaction with the national reorganization is due to the fact that they didn't go far enough then. The only way to keep this country together is through a system of far-reaching regional autonomy.

There are three possibilities. Van den Brande's legislative proposal is one, but it cannot get through now because of the lack of the two-thirds majority needed for passage. Another way is for the Council of Ministers to issue a Royal Decree for regionalization. This seems unfeasible too, since a compromise would have to be struck with the Walloon ministers in the Cabinet. Then there is the so-called third way, which we must take now, whatever the cost. This is the path of gradual regionalization. Total regionalization remains the final goal, approached gradually by removing more and more sectors from national control.

That is what has to happen with steel now. That should be possible since there is now a new political fact. The Walloon region is now asking for more money than what was earlier agreed on.

Question Even supposing that the Walloon region assumed its responsibility and that the Gandois Plan were carried out, we would still have some problems. One of the major conditions is that it be carried out as quickly as possible. But Premier Martens has put the Plan on the back burner for the time being.

Dupre: By waiting too long, the rescue becomes almost impossible, to be sure. At this time, they don't have everything arranged. For instance, in the matter of synergy, we're still groping in the dark. A lot depends on that. A further explanation for the wait is the fact that the matter requires much study and understanding. You cannot by any means make haphazard decisions. Finally, the internal organization has to be in place. And here it is very necessary that a new attitude is achieved from top to bottom. There are many changes needed in both management and labor. If a certain portion of the present management remains, they must approach matters in a completely different way somehow or other. It would be even better if an entirely new crisis management were employed.

Question Since you mention synergy, Hoogovens IJmuiden is being cautioned in the Dutch press not to enter into anything with such an unprofitable company as Cockerill-Sambre.

Dupre: It seems to me that there's a good chance of working with Hoogovens. This opportunity is now being looked into thoroughly. But the Netherlands has been made to feel skittish. It should still be stressed that the only way to keep Valfil afloat is by working together with Hoogovens. Since Gandois has already made it clear that Valfil must be saved, there is a good possibility that there will be a working arrangement with Hoogovens.

Question Do you think that the government will have the courage to do what you have been saying? The question on everyone's mind is how much time does the Cabinet have?

Dupre: By any measure, there has to be a decision before the recess. By that time, they should be ready to deal with the problematics of synergy and the question of internal organization and commercialization. The stickiest point of all, of course, is the matter of financing.

Question Is that a stumbling block for the Martens Cabinet?

Dupre: If it doesn't respect this deadline and if the Walloon region doesn't accept its financial responsibility, then I am convinced that this government will fall, that it will be voted out by Parliament. The Flemish, regardless of party affiliation, cannot and shall not tolerate a new rescue action for Cockerill-Sambre.

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EFFORTS TO ESTABLISH HIGH TECHNOLOGY IN FLANDERS

Flanders' Geens on Problems

Brussels KNACK in Dutch 4 May 83 pp 38-44

[Report on interview with Gaston Geens, chairman of the Flemish Executive Branch by Frank de Moor: "Geens and His Idea Funnel; The Technological Springtime of Flanders"; items in slantlines published in italics.]

[Text] The efforts of Chairman Gaston Geens of the Flemish Executive Branch to initiate the Third Industrial Revolution [DIRV] in Flanders (also) will result this week in the--by now well-known--first international technological exhibition in Flanders: /Flanders' Technology/.

More is needed, however, than an exhibition, a few fascinating lectures and many receptions to make the Third Industrial Revolution succeed in Flanders. Communal Minister Geens knows that. The following discussion is sobering in that context.

As was explained in detail here during the past few weeks, Flanders does, in general, have the researchers to make the DIRV succeed, but primarily the capital and the socio-cultural and industrial fabric are lacking. Communal Minister Geens has to admit that.

Our country naturally is not the only one which has a need for risk capital in order to capitalize on its science. It appears, however, that the Third Industrial Revolution becomes harder to carry out to the extent it becomes clear that the DIRV will not immediately get those industrial sectors involved which are now struggling with the greatest unemployment. The contrary is true. A poll by the American economic magazine BUSINESS WEEK of 28 March merely proves what everyone already suspected: that the initiation of the DIRV is a capital-intensive event which will not provide much additional job opportunity, certainly not in the first phase, and that it is of interest primarily to /white collar workers/.

That does not prevent productivity in /high tech/ companies from increasing rapidly enough to still create the expectation that it will indeed give a new start to economic life. Awaiting that start, we talk with Gaston Geens primarily about what must be done about Flanders /after/ this technological exhibition also.

Gaston Geens: The Third Industrial Revolution obviously is a worldwide phenomenon and there is no country which goes through it alone. The British pushed through

the first industrial revolution, the Americans the second and they are involved in a fierce competitive struggle with the Japanese for supremacy in the third industrial revolution. But in a great many areas we don't even count. However, we must not let ourselves be paralyzed by that feeling. When the European Agency for Space Travel ESA was founded in the middle of the seventies, I encountered much skepticism, also in Belgian government circles. At that time we committed ourselves for about 1 billion and that was a lot. I was often told that we would miss the boat anyway because the Americans were already on the moon and the Soviets in space. Well, the ESA got started anyway, especially through French and German stimulation, and it even started to play an individual role in civilian space travel. What's more, in the launching of satellites the /Ariane/ rocket has become a competitor of the /Space Shuttle/.

[Question] May we assume that you want to assure that Flanders can take advantage of the international revival, when it arrives sooner or later, more rapidly than the other regions?

Geens: There happen to be economic cycles over which apparently no one has any control. He who marks time, however, won't be able to profit by the revival as soon as the others. Thanks to the DIRV campaign we intend to maximize our chances already now

If /Flanders' Technology/ merely gives the impression that the Flemish have also done their best for once, then the intention of the exhibition has failed. On the other hand, if one says that the Flemish indeed can accomplish something, then you right away have international confirmation of the enormous potential which exists in Flanders but which must be brought into the open.

[Question] You often use words such as maximize, dynamize, sensitize, etc. Does that mean you want to extend the famous "Kotler" law and make it yours?

Geens: You must imagine Kotler's law as a funnel. Although hundreds of new ideas are added at the top, almost just as many get lost when they get to the point of industrialization or commercialization. However, in order to see as many new ideas as possible materialize, we want to build a number of supports into that funnel, especially at the selection levels at which most of the ideas perish according to Kotler.

I think that the government should be doing something like that for several reasons, even if only because the government finances scientific research in large part, and because we must learn to utilize the traditional stimulation bonuses in a selective manner.

I have just established the Flemish commission for /prototypes/. It has about $\frac{1}{2}$ billion francs at its disposal, while the national fund has almost 2 billion. Well, we are going to involve that commission in the DIRV as well.

The classical expansion legislation can also be put into Kotler's funnel for support. Hence we rejected 23 percent of the cases last year because in our opinion those investments would take place even without government intervention. If you know that in previous years only 5 to 7 percent of the cases submitted were rejected, you'll understand right away that means are being freed to really start something new.

Especially since the average participation has decreased from 13.8 percent to 12.3 percent and that means 750 million less in government subsidies on investments of 15 billion.

We have also set in motion a number of foreign initiatives in which those companies will be required to have their research carried out largely in Flanders. Our people can do that. For example, a collaboration agreement has come about with the drug company Upjohn in Puurs to have research done at our expense at the Catholic University in Leuven. Also, National Forge in Sint-Niklaas, a branch of the American mother company of the same name, will have important research carried out in Flanders.

[Question] The means you need to bring about the DIRV still have to come from Minister of Economic Affairs Eyskens or his colleague for Scientific Policy Maystadt, don't they?

Geens: Scarcity creates creativity. Innovi, the broker between knowledge and capital, has become a success. Without that office, a considerable amount of academic research would have remained untapped. The company even makes a profit and invests that in additional collaborators.

It should be pointed out, however, that in a more general sense we have a warped situation in our country. One can no longer split up the industrial policy into sectors. The five so-called /national sectors/ still are the exception to the rule which states that the regions have authority over the sectors policy. But even the classical sectors no longer are separate from each other. Coal and steel, for example. The boundaries that are preserved there politically become in reality even more vague as high technology advances. A car, for example, is still in the Fabrimetal sector, but in a few years' time a car will mainly consist of plastic and micro-electronics.

If for the time being one can still talk of five national sectors, it is solely because the regions are not capable of financing the enormous amounts associated with them. However, any /incentive/ which is aimed directly at new activities should definitely be left to the regions, regardless of the sector.

For that matter, Minister of Economic Affairs Eyskens already announced a first step in that direction by transferring the /Institute for Stimulation of Scientific Research in Industry and Agriculture (IWONL), the Industrial Promotion Agency (DNB) and the Fund for Prototype Support to the regions. Moreover, I am of the opinion that in the long run such funds must be transferred completely. Then in the end we will have that leverage.

The regionalization of the research policy lies along the same line, for that matter. The DIRV council which we have established and which we support must then also become a preliminary form of an individual Flemish scientific policy.

[Question] Although it has indeed been the law since 1980 that the scientific policy will be under the regions, more and more conflicts arise. Take the example of biotechnology, one of the pillars of the DIRV campaign. Even though you say

that this is a regional matter exclusively, the Scientific Policy Programming Service (DPWB) is launching a national program for research and development in biotechnology while IWONL, which is just as national, for its part is establishing a study commission for biotechnology which in its turn has to set up coordinated projects.

Geens: We want that to stop and we would want those matters transferred. At the moment, however, we are still in a race between national and regional agencies. That race also has its good sides, however. If you consider the many Flemish companies which now can apply for prototype support or appeal to the IWONL, then there is a definite improvement compared to 2 to 3 years ago.

If we do indeed realize 62 percent of the national production in Flanders, then that must also show up in other figures. Only the authority with regard to the granting of means still has to be given to us.

The Flemish scientific world, united in the Flemish inter-university council VLIR, will get tired of waiting also. Flemish researchers are not interested only in additional means, but they also hope that the fruits of their research will benefit Flemish companies and will strengthen Flanders' economic structure in general.

[Question] Meanwhile Minister Maystadt has beaten you with Biofast, the European action plan with regard to biotechnology. And he favors laboratories at the expense of world famous Flemish researchers such as Schell and Van Montague.

Geens: Yes, but I have beaten Maystadt in micro-electronics. The MIETEC (Micro-Electronic Technology) factory in Oudenaarde, where Bell and the Regional Investment Company for Flanders (GIMV) want to manufacture integrated circuits--the so-called custom-made IC's--by 1985, is under construction and this week the marketing department is already getting started. The /Superlab/ will also get off the ground. It will become a sophisticated Flemish inter-university research laboratory which will allow the researchers of KUL [Catholic University of Louvain], RUG [State University of Ghent] and VUB [Free University of Belgium] to work under the same conditions as those in the largest laboratories in the world.

On the other hand, the INVOMEK [expansion unknown] training program is also starting. It must annually train 200 instead of 50 or no experts in the designing of Very Large Scale Integrated, the chips of the future. In order to spur Flemish enterprisers into the introduction of micro-electronics in their company and to provide them with guidance, the Flemish Executive Branch and GIMV have founded the NV Inventive Systems. In short, micro-electronics are starting to get going again in Flanders.

[Question] Meanwhile the GIMV is trying to unload InCir. InCir, which is precisely one of the prize horses from the stable of Leuven Research and Development, LRD, the forerunner of Innovi, and moreover is an essential part of the GIMV strategy with respect to micro-electronics.

Geens: The GIMV should not retain all its activities either. Furthermore, I would like some filtering through to take place. The list of activities of GIMV actually includes quite a number of hi-tech companies, such as Plant Genetic Systems, where amongst others a growth bacterium has been designed through

plant genetics which is sown along with grain and makes fertilizer and pesticides practically superfluous. The PGS furthermore is working on bacteria which convert organic waste such as wood and straw into cellulose at accelerated speed, and plants are even being developed which can stand dryness and cold.

The founding of NV Artemia in turn concerns the validation of the knowledge gained at RUG with respect to the characteristics of the extremely small Artemia crab; this is important not only for the sake of its food value but also because it can convert low-value products into high-value raw materials.

[Question] These other projects also prove that Flanders has researchers but that the private sector is not inclined to invest capital immediately, or perhaps not at all, in activities that have risk but that are very promising. Without adequate venture capital the DIRV doesn't stand a chance.

Geens: The application of the expansion legislation still yielded 52 billion in investments in Flanders last year, a great part of that through individual means. On the other hand there was a beginning of /venture capital/. Just look at /Advent/, a branch of the American mother company which is going to supply venture capital here in collaboration with other companies.

We are furthermore looking into possibilities to free capital at the savings banks. Knowing that for one new job one should need an investment of 8 to 12 million, one knows right away that enormous amounts are needed to give jobs to hundreds of thousands of unemployed.

The lack of venture capital in Flanders indeed poses a problem. At the start of the DIRV campaign in fact I underestimated that. I thought we would have more trouble finding suitable people. Now I find that the real problems are encountered in the mobilizing of larger amounts of capital. Advent and the informal club of Flemish holdings made a step in that direction, but it is not adequate. Therefore I want to appeal precisely to savings banks and perhaps to the insurance community.

[Question] Can't you go a step further and utilize the National Lottery and the Lotto or even, as in Japan, gamble on horseraces for investments in new technologies?

Geens: I don't know. For that matter, as communal minister I cannot touch the National Lottery. Moreover, I think one needs a different industrial culture for something like that. Flanders is not Japan and does not need to be Japan either. We must put everything at the service of industrial development. The DIRV campaign is the means, not the goal. It primarily wants to validate that which human ingenuity produces, and that is not unimportant. The Third Industrial Revolution moreover is not taking place only in factories. The products which are produced there have an undeniable, though not exclusive, impact on society. Then I hear Professor Van Overstraeten say again that we must have the ambition to provide everyone with his own video and home computer. Thirty years ago one was also surprised when someone said that everyone ought to have his own car. Now it is practically so far.

The Third Industrial Revolution will also improve the quality of work. Cars will be welded together mainly by robots which will take over the heavy work and do it even better at that.

[Question] And will put the workers out on the street.

Geens: No, not at all. Just look at Ford-Genk. Production and apportioning of jobs increased. Admittedly not in the same ratio; that is obvious. But the Flemish automobile industry was able to increase its market share by 14 percent last year while all other countries saw their market share strongly decrease. Ford-Genk actually increased its foreign sales from 45 billion francs in 1981 to 62.5 billion.

[Question] Of course that is not directly due to the DIRV campaign.

Geens: No, but still, it is in the same line.

Question: Do the workers not expect more jobs in the first place?

Geens: We are drawing up an industrial note which will be discussed in the Flemish Economic and Social Consultation Committee (VESOK). We also want to have a Flanders Technology Foundation established in which the social partners, outside the government, will investigate the social consequences of the DIRV and translate them into political terms.

[Question] Aren't you afraid that the DIRV campaign will split up society and that in this manner one group of people will arise which will indeed be engaged in the new technologies and another which will either be replaced by robots or will look on without understanding?

Geens: That group must follow suit. That is a question of education. Precisely because of that we have made /Flanders' Technology/ accessible to the last years of secondary education and to higher education. If only to create the vocations we need so much. We do indeed lack the technological culture which, amongst other things, brings along a positive view toward new developments as well as a sense for risk, industrial creation, etc. In biotechnology alone 2000 jobs could be assigned but we don't have the people for them or even training in that direction. Thus in god's name, let's set that up as soon as possible. The same is true for other areas of study as well. It is clear that the metallurgical engineer ought to become one who is acquainted with new materials and that an electronics engineer must know how chips are made. Education must therefore also be adapted to the DIRV.

[Question] There is no money for that either.

Geens: Not only that. Universities aren't even allowed to establish new departments any longer. They are however allowed to convert departments. The VLIR university council and the DIRV commissions are already working on new study packets. They will be proposed at the appropriate time and then the universities must take the responsibility.

[Question] All of this points to a shift in emphasis from basic to applied research, although the former must remain important. All the projects you are coming up with as the pillars of the DIRV are attributable to basic research which was started over 10 years ago and exclusively with national money, at that.

Geens: That is correct. This does not prevent basic research from being continued. The required financial means are largely in hand. The growth of it is

of course not as before, but universities must start defining their priorities differently. The government does not intervene much in that.

On the other hand, we are moving toward new structures in any event in the scientific policy. Those are easy to realize with the current state reform. Instead of one national council for scientific policy each community will get one and together they will then form the national council. One ought to be able to comfortably continue with basic scientific research without it having to provide immediate application. The government should not intervene in that. The Flemish researchers' potential is sufficiently large and international for that.

[Question] How do you see Flanders in the year 2000?

Geens: I think that we will be among the front runners. Even though we are counted among the 10 richest countries in the world now, one can lose such a position in 5 years' time. We must prevent that, and I think we have the opportunity to remain a modern country.

Don't forget, however that this is a bigger task than words can express. Secondly, we are going to make sure that our people have good work. Work which takes full advantage of their capacities, which yields by definition an important added value and which thus keeps a society going and which also keeps up with the new technological level in other areas. However, don't expect the government to take on all that. The DIRV campaign must not once again turn into a new kind of patching up. On the contrary, everyone must consider himself partly responsible for realizing the Third Industrial Revolution in Flanders.

Maystadt on National Role

Brussels KNACK in Dutch 4 May 83 pp 42-43

[Report on interview with Philippe Maystadt, Minister of the Budget, Science Policy and Planning: "Geens Wants Everything."]

[Text] Minister Philippe Maystadt (PSC[Social Christian Party]), minister of the Budget, Science Policy and Planning, together with his colleague of Economic Affairs Mark Eyskens (CVP[Flemish Social Christian Party]) will remain the national minister on whom Communal Minister Gaston Geens (CVP) is planning a political /holdup/ to carry out his DIRV campaign. In the following discussion Maystadt lays out what he is willing and not willing to relinquish. First we asked him, however, if he doesn't regret the fact that the /Third Industrial Revolution in Flanders/ is preaching projects which had been set up 10 years ago in a national context.

Philippe Maystadt: It doesn't bother me at all that the regions are trying to utilize previous national programs as much as possible for their own objectives. Anyhow, in a number of areas the moment had arrived to think of industrial validation. Indeed, we encourage that.

[Question] That does not alter the fact that overlapping and repetition between the national department for scientific policy and the cabinet of Communal Minister Geens are rather conspicuous.

Maystadt: Undeniably there is overlapping, but we are still trying to avoid it. Take biotechnology, for example. Precisely because we determined that the regions had taken certain initiatives in that matter, I restrained the national research and development program. Nevertheless, it was ready. I did, however, propose to the government that, in cooperation with the universities of Ghent and Louvain, they expand a program to establish a collection of non-organic cultures and make them available to the regions. That is a protective measure to keep the basis alive from which further research may be conducted. That does not remove the fact that it would be desirable, in any event in the case of biotechnology, to come to a better coordination between the relevant regional and national parties. If everyone wants to do everything, the risk is not unimaginable that ultimately nothing will be done.

On the other hand, I'm not so sure that there is no overlapping with respect to micro-electronics. At the national level we have proposed a complete program to the government on the basis of the 1982 report of the National Council for Scientific Policy. It included the plan to offer the designers of custom-made integrated circuits as many opportunities as possible and to urge the KMOs (small independent companies) to utilize continually more micro-electronics.

We do know that the regions have taken analogous initiatives favorable to the KMOs, but we want to offer extra support to the extent it concerns specific customer-oriented chips. In addition we also want to expand the micro-electronics sector through national government orders. Most of our orders concern the application of micro-electronics in offices automation and in telecommunication. Moreover, we also want to launch a research program to study the socioeconomic consequences of the introduction of new technologies.

[Question] Geens wants to do that too.

Maystadt: Yes, but we think it is senseless to have that research done by each region separately. The introduction of new technologies is basically a national problem because it could possibly cause an increase in the number of unemployed. It is clear that its backlash on the financing of social security must not be neglected, and therefore it is also a national problem in that context.

[Question] Meanwhile isn't it your task as minister of the budget, science policy and planning to mold the Institute for Scientific Research in Industry and Agriculture (IWONL), the Fund for Prototype Support, the cooperative activities with universities, the national research and development programs and space travel into a cohesive set of instruments directed toward the future?

Maystadt: Those are indeed the most important institutions which are active in our country in scientific policy at the national level. The coordination between the cooperative activities, the national R & D programs and space travel should not cause any problems because the department of science policy is solely responsible for that.

What remains is to work out a better coordination between the IWONL and the Fund for Prototype Support. Here the regionalization should be taken into account, however. It seems logical to me that this fund will be regionalized because it is concerned with immediate industrial applications which indeed come under the authorities of

the regions. Thus what is left to do is devise a better coordination between the activities of the IWONL and the Department of Science Policy.

[Question] How do you see the further regionalization of these agencies and their funding? Communal Minister Geens wants to go very far in that respect. He simply wants to split up the Commission for Coordination and Orientation of Government Orders (COC), government support in the framework of the selective disk, the IWONL, the Agency for Industrial Promotion (DNB), the Fund for Prototype Support, the R & D research programs and the technological innovation programs in the Royal Decision of 2 February 1982.

Maystadt: That means that Geens wants everything. And that apparently this is a negotiating position. With your permission I should like to give my standpoint for each of those institutions.

To start, it makes no sense to regionalize the COC and the so-called selective disk because they relate to national government orders, placed by national departments. Don't forget that the funds needed to apply the selective disk are always obtained from one specific department, be it Public Works, National Education, Economic Affairs, Transportation or Defense. Unless we also regionalize these departments, it makes no sense to regionalize either the selective disk or the COC which, in its turn, is engaged precisely in the coordination and orientation of the national government orders.

On the other hand it seems justified to me, as I have already said, to regionalize the Fund for Prototype Support. It concerns primarily regional industrial initiatives, with the exception of the five national sectors. The regionalization of the IWONL is a more delicate problem, however. It seems to me that the department which deals with agriculture there should remain national, although that can be discussed. Even if agriculture within the European Community is by nature a national matter. Although it seems logical on the other hand to regionalize the branch of the IWONL which deals with economic matters, I am not so sure that the industrials in both regions desire to have it split up.

As to the DNB, there is already a joint proposal by the minister of Economic Affairs and myself, as patron ministers of the DNB, to simply regionalize that agency and use the opportunity to polish up its bad image.

[Question] Then there are the funds and authorities which fall directly under your department. Are you going to have them regionalized?

Maystadt: I now have four well-defined areas of concentration. First and primarily there are the cooperative activities between the state and the universities. I think that this packet (491 million in 1983) must remain national. It concerns basic research in our country and we are already so small in certain areas that we really must not halve our efforts. With respect to national research and development programs (855 million in 1983), I want to recall to mind the fact that they are indeed proposed by the minister of Science Policy, but that they must be approved by the government. Therefore I believe that we must retain the possibility of setting up national programs if the government determines that the research is inadequate in certain areas. We must involve the regions closely, however.

Third, there is the Royal Decision of 2 February 1982 on technological innovation activities and programs (532 million in 1983). Those are so closely intertwined with national government orders that regionalizing them is unthinkable. Fourth, I am in charge of international programs such as especially the one with respect to European space travel (1.285 billion in 1983). Because the relevant international organizations know only the Belgian State, it is clear that these programs must remain national.

[Question] Actually we are discussing only a few billion per year, which is less than some industrial giants set aside individually for their own R & D programs.

Maystadt: That is correct; both the government and the private sector give too little attention and funding to research in our country. In 1981 the government spent only 1.1 percent of its total budget on research and development orders. That is only 0.6 percent of the gross national product. Although this year the science policy share of the total budget has risen to 3.4 percent, that is still only 1.2 percent of the gross national product.

[Question] Do you think that with that we will bring the Third Industrial Revolution into our country?

Maystadt: If each region wants to try ever thing itself in all of the areas which are identified with the Third Industrial Revolution, we will not achieve that.

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CS0: 3614/112

COUNTRY'S AMBASSADOR TO OECD DISCUSSES LATTER'S REPORT

Copenhagen AKTUELT in Danish 1 Jun 83 pp 8-9

[Article by Hans Tabor, Denmark's Ambassador to OECD]

[Text] Today the OECD (Organization for Economic Cooperation and Development) is publishing its annual report on the Danish economy. Hans Tabor has read the report and states that it is doubtful that the Danish welfare state can be maintained as we knew it in the 1960's and 1970's.

Today OECD, the organization for economic cooperation in the Western World, is publishing its annual report on the Danish economy. The report evaluates the Danish economy from an international standpoint.

One important conclusion is that the international upswing, assisted by falling oil prices and lower international interest rates, must not be used as an excuse for doing nothing to solve Denmark's problems of economic imbalance. We must roll up our sleeves and keep working.

OECD estimates that Denmark's balance of payments deficit will be cut in half in 1984, compared to 1982, and that inflation will drop from just under 10 percent in 1982 to just under 5 percent in 1984. Based on these assumptions, the deficit in the public-sector budgets will drop.

According to OECD estimates unemployment, which was 10 percent of the work force or 263,000 people in 1982, will continue to rise through 1983 and 1984 to about 12 percent, as a result of both fewer jobs and the net influx into the labor market.

All in all, it is estimated that the growth in total production will drop from 3 percent in 1982 to 1 percent in 1983 and 0.5 percent in 1984.

OECD paints a rosy picture of the economic policies carried out by the Danish government, but there also are some thorns in the rose garden. One positive aspect that is mentioned is that the coalition government's economic and political program is a serious attempt to improve the Danish economy. It is encouraging that both the rate of inflation and the balance of payments

deficit have dropped, although this was aided by the drop in oil prices and the lower international interest rates. This spring's moderate wage increases, resulting primarily from wage earners' sense of responsibility, the suspension of cost of living increases until March 1985, and freezes in benefits have helped keep wages down and increase income to businesses. The limitations on growth in public expenditures have released some of the pressure on domestic financial markets and made more resources available to companies competing internationally.

One central point in the government's economic policy and an important topic in the OECD report is the improvement in the competitive strength of Danish business. In the long run, this is the key to solving Denmark's three-pronged structural problem: The deficit in the balance of payments, the deficit in the public-sector budgets, and unemployment. Despite the recent moderate wage increases, the OECD report estimates that Denmark's competitive strength will decline in 1983 as a result of the high wage increases through 1982, increased payroll taxes to finance unemployment insurance, etc., low wage increases abroad, and the high exchange rate of the krone. On the whole, however, this trend will be neutralized in 1984. Wage costs relative to other countries improved considerably from 1979 to 1982, in part because of the devaluation of the krone in late 1979. The improved situation will be translated into increased exports only gradually. For this reason, OECD predicts an increase in exports during 1983, even though the markets to which Denmark exports goods are stagnating. Because of Denmark's lower competitive strength in 1983, exports in 1984 will increase at a slower pace than the growth experienced by the export markets.

OECD is disappointed with Denmark's competitiveness in 1983 and 1984. Nevertheless, the report supports the coalition government's announced goal of a steady rate for the Danish krone. It is believed that a stable rate of exchange will help reduce the expected rate of inflation, increase the willingness of the private sector to borrow money abroad, and release pressure on domestic interest rates. The report stresses that the decision to limit the role of the exchange rate in attempts to improve international competitiveness will increase the need for modest wage hikes in the future, as well.

The outcome of the most recent round of wage negotiations is commended because of the moderate wage increases, but the report also contains some critical remarks. Thus, in the future, OECD would like to see less emphasis on achieving the greatest increases for the lowest-paid workers. Instead, there should be a closer relationship between wages, profits, productivity, and training at individual business. In addition, it was found that the combination of high taxes and relatively broad social benefits still hinders mobility and the willingness to work. In this connection, it is not ruled out that minimum wages for young people may be the cause of high unemployment among youth. The freeze in benefits will continue to help adapt the welfare system to the harsher economic realities of today.

The OECD believes that tax cuts would help keep wages down and, thus, improve competitiveness. For this reason, slower increases in public expenditures

are the main prerequisite for reducing the large deficit in public finances.

Even though interest rates have dropped sharply during the past 6 months (the discount rate has been reduced in several stages from 11 to 7.5 percent), the real interest rate (interest minus inflation) remains high. The OECD believes that a reduction in the budget deficit is needed in order to reduce real interest rates further. Lower real interest rates could help increase investments in private business.

OECD pointed out that there is a clear need to expand the competitive sector, i.e. the industrial sector, in particular. This means not only that we must reduce our prices, but Danish businesses must also invest more heavily in research and product development. The government's efforts in this area are described as a step in the right direction, although a more intense effort is desired, according to OECD.

Thus, in the long run, increased competitiveness is the only genuine solution to Denmark's problem of economic imbalance. With a foreign debt of over over 150 million kroner, however, in addition to increasing our competitiveness, we are forced here and now to conduct extremely restrictive economic policies that will limit domestic consumption and, thus, imports.

In the short term, this will mean an increase in the already high unemployment level. The OECD also points this out, but warns that continued slow economic growth and high unemployment could weaken the labor force that must be available for expanding businesses. Because of the danger of a shortage in labor further down the line, the OECD stresses the need to maintain and perhaps improve existing facilities for training the work force.

Finally, the OECD report states that it became clear in 1982 that there was a need for new economic policies and more drastic measures. The proposed economic strategy and the steps that already have been taken, according to the OECD, represent a serious attempt to improve the Danish economy. The first results--lower inflation and a reduction in the balance of payments deficit--are seen as encouraging signs. An international upswing, even a relatively modest one, would facilitate the required adjustments in the Danish economy. The OECD stresses that, with a steady economic policy including a structural shift toward a larger competitive sector, we may expect to see a more vital Danish economy in the years to come.

Some purely personal comments follow:

There is no doubt that the stated goal of improving Denmark's competitive strength and expanding businesses that compete with foreign companies is the most important point. The OECD report must be seen as an international signal to domestic politicians and interest groups. The recommended economic policies will be austere and require broad political support and understanding among the people.

Considering the international economic prospects and the fact that Denmark

has a small, open economy, it is doubtful that it will be possible to maintain the welfare state in the same form we have known it throughout the sixties and seventies. An adjustment will be necessary. Nevertheless, we will be able to maintain a high level of social security, by international standards. I believe the most important thing is for this adjustment in the welfare state to be carried out in a socially balanced manner. Solidarity among various groups of the populace must be strengthened. This is particularly true with regard to future generations, so that unemployment among youth clearly is the most serious problem. We must change the balance of trade deficit into a surplus, so that our foreign debt can be reduced. Better competitive strength will create a basis for increased employment in the long run, but I am afraid that full employment cannot be achieved during this decade without further reductions in the work week. International coordination could help Denmark reduce the work week. Management and labor should be able to reach agreement in this area. I also believe we should seriously consider some form of profit-sharing, in order to maintain consistent economic policies over several years. On this important point, I must stress that labor and management should be more flexible. Denmark must get its own house in order. That is certain, but without a prolonged economic upswing within OECD, this task will be extremely difficult. For this reason, international cooperation and solidarity must be given a high priority.

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CSO: 3613/130

INDUSTRY COUNCIL DISPUTES ECONOMISTS' JOBS FIGURE FORECAST

Copenhagen BERLINGSKE TIDENDE in Danish 3 Jun 83 p 21

[Article by Frank Dahlgaard]

[Text] Denmark is entering a moderate economic upswing that will prevent an additional increase in unemployment. The bleak prediction of the economic experts that unemployment would average 320,000 next year is wrong. Unemployment levels will remain unchanged and will not exceed 300,000.

This is the conclusion of the Industry Council's chief economist, Jorgen Hansen, who is now putting the final touches on the council's semiannual prognosis, which will be published on 14 June.

"Recently the public has been presented with two vastly different predictions concerning the economic trend. On the one hand, we have the experts' report that predicts 320,000 unemployed in 1984 and, on the other hand, we have the predictions of Steffen Moller, economist for the Metalworkers Union, which foresee virtually full employment within several years. At the Industry Council, we believe in neither of these predictions. Our calculations indicate that unemployment will remain almost unchanged, perhaps with a slight tendency to rise, but the annual average will not exceed 300,000 unemployed," Jorgen Hansen said.

Four Points

Jorgen Hansen said that the Industry Council's predictions differ from those of the expert report on four main points.

First of all, the council does not foresee a continued sharp increase in the number of workers in the near future.

"At a time when the public sector no longer is growing, we must be cautious about assuming that the work force will grow at the previous rate," said Jorgen Hansen, who pointed out that a portion of the public demand for labor will create its own supply.

Secondly, the Industry Council estimates that there will be a slightly higher

increase in demand (consumption, investments, construction, and exports) than that predicted by the experts in their latest report.

Thirdly, Industry Council economists do not expect productivity (production per man) to rise as sharply as the experts predicted.

Not Like Before

"The economic slump now has lasted so long that, unlike during previous, brief downturns, companies do not have an available supply of unemployed or underemployed workers within their own walls. The people they have had no use for disappeared long ago. Thus, expanded production will mean that businesses must employ more workers in a short period of time, whereas previously during the first phase of an economic upswing businesses could get by with their own underemployed workers."

The fourth point is that the Industry Council expects an improvement in Denmark's competitive strength, compared to other countries, in 1984. The council assumes that the wage structure here at home will remain in effect, so that wages will increase less here than abroad.

As a result, the Industry Council is predicting that unemployment levels will remain unchanged in the coming year.

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CSO: 3613/130

COLUMNIST SEES SIGNS THAT UNEMPLOYMENT MAY BE EASING

Copenhagen BERLINGSKE TIDENDE in Danish 8 Jun 83 p 21

[Article by Frank Dahlgaard]

[Text] Neither the government, the "panel of experts," nor the OECD believe there will be a significant upswing in the Danish economy. On the contrary, they all believe that unemployment will continue to rise. Only the economist of the Metalworkers Union, Steffen Moller, has dared predict a major economic upswing--and his prediction may well be correct. There already are clear signs of an upturn.

Optimism has been spreading in Denmark since the beginning of the year. The dramatic drop in interest rates and the sharp increase in the price of shares on the stock market are signs of this optimism.

The question, however, is whether or not there is any real basis for this optimism or whether there simply has been a change of mood, with no basis in reality.

Almost all the economic experts believe that the latter is true--government economists, the "panel of experts," and OECD economists in Paris have predicted continued sluggish economic growth in Denmark and a steady rise in unemployment.

Thus, the "panel of economic experts" has predicted an average registered unemployment this year of 283,000, compared to 263,000 last year. For next year, the "experts" predicted an unemployment level of 322,000, or just under 12 percent of the entire labor force.

Seasonal Adjustment

The OECD economists are in general agreement with this bleak prediction for the Danish economy, while the government predicted, despite everything, that unemployment would reach a peak in 1984.

The unemployment predictions of the experts and the OECD actually are far more pessimistic than indicated thus far in the mass media.

The figure below (compiled by Danmarks Statistik) shows the trend in registered unemployment in Denmark since the beginning of 1980. The thin, step-like curve shows the actual registered unemployment month by month.

As seen in the figure, unemployment during the winter months is higher than during the summer months each year. There are clear seasonal variations in unemployment. This is because the weather in the winter often hinders outdoor work, for example in construction and shipbuilding. Thus, it is not unusual that unemployment is dropping now, during the spring months. This trend occurs every spring.

To produce a true picture of the unemployment trend, Danmarks Statistik makes seasonal adjustments in the monthly unemployment figures. The seasonally adjusted unemployment trend is shown in the figure by the thick curve.

70,000 More Unemployed?

The most recent seasonally adjusted unemployment figure is 277,700 for March 1983 (see figure). If the average unemployment for 1983 is to reach 283,000, as predicted by the "experts," then the seasonally adjusted unemployment must rise to 295,000 by the end of the year.

If the 1984 prediction of the "experts" that the average unemployment will rise to 322,000 holds true, then the unemployment level in 1984 must rise dramatically, namely from this figure of 295,000 to just under 350,000 (see figure).

Thus, the predictions of the "experts" and the OECD would mean an increase in real (seasonally adjusted) unemployment from the present level of 278,000 to 350,000 by the end of 1984.

That is a rise in unemployment by over 25 percent or 70,000 more unemployed over the next 21 months!

Steffen Moller

Because of the lower interest rates and the latest figures on the international economic situation, the unemployment levels predicted by the OECD and the "panel of experts" seem highly improbable.

Economists at the Industry Council also reject these bleak unemployment prophecies. Predictions that are to be made public by the Industry Council on Tuesday indicate that the unemployment level will remain constant.

So far, Metalworkers Union economist Steffen Moller is the only union economist who has publicly expressed strong optimism. He has predicted a strong economic upturn and the creation of more than 100,000 additional jobs in private business by 1985.

According to Moller, unemployment will drop sharply in the coming years (see figure).

So far, most politicians and economists simply have smiled condescendingly at Steffen Moller's optimistic predictions--just as they did in September 1981 when Steffen Moller warned that the state could go bankrupt.

Later, as we know, the smiles disappeared from their faces when in 1983 the state's finances went so far out of control that the Social Democratic government finally gave up in the face of the economic problems and the threat of state bankruptcy.

The Positive Points

It is quite conceivable that Steffen Moller may be right this time, as well. Unlike the "experts," the OECD and the government economists, the economist of the Metalworkers has based his estimates on detailed studies.

It is remarkable that the established experts are so pessimistic:

now that this spring we experienced the sharpest drop in interest rates in the history of Denmark;

now that wage inflation is at the lowest level in 23 years;

now that price inflation is at the lowest level in 14 years;

now that the drop in real wages has been reversed;

now that, since the new government took power, profits of over 125 billion kroner have been reaped from stocks and bonds;

and now that the latest "barometer of economic indicators" for industry has reflected a sharp upturn in new orders, production, and investments.

Upturn Underway?

Objectively speaking, the first figures indicating the beginning of an upturn already are available.

The latest figures on new housing starts show a clear increase and the number of building permits issued also has risen dramatically.

Credit institutions now are making loans at a furious pace. During the first quarter of 1983 the availability of credit secured by mortgage on real property was twice that of the same quarter 1 year ago and the trend is continuing.

During the first 4 months of this year, new car sales were 14 percent higher than for the same period in 1982. New car sales of 100,000 this year now seem possible. That would be the highest figure since 1979.

Truck sales now are 7 percent higher than last year.

Real estate sales are picking up again and the most recent index of retail sales indicates a sharp rise in retail trade.

The export figures remain high and there are clear indications of an upswing in business investments here at home: the Financial Institute for Industry and Trade, the Industrial Credit Fund, and the Danish Agricultural Credit Fund all report sharp increases in loan activities.

On the stock market there has been an increase in share capital.

We Can Do It!

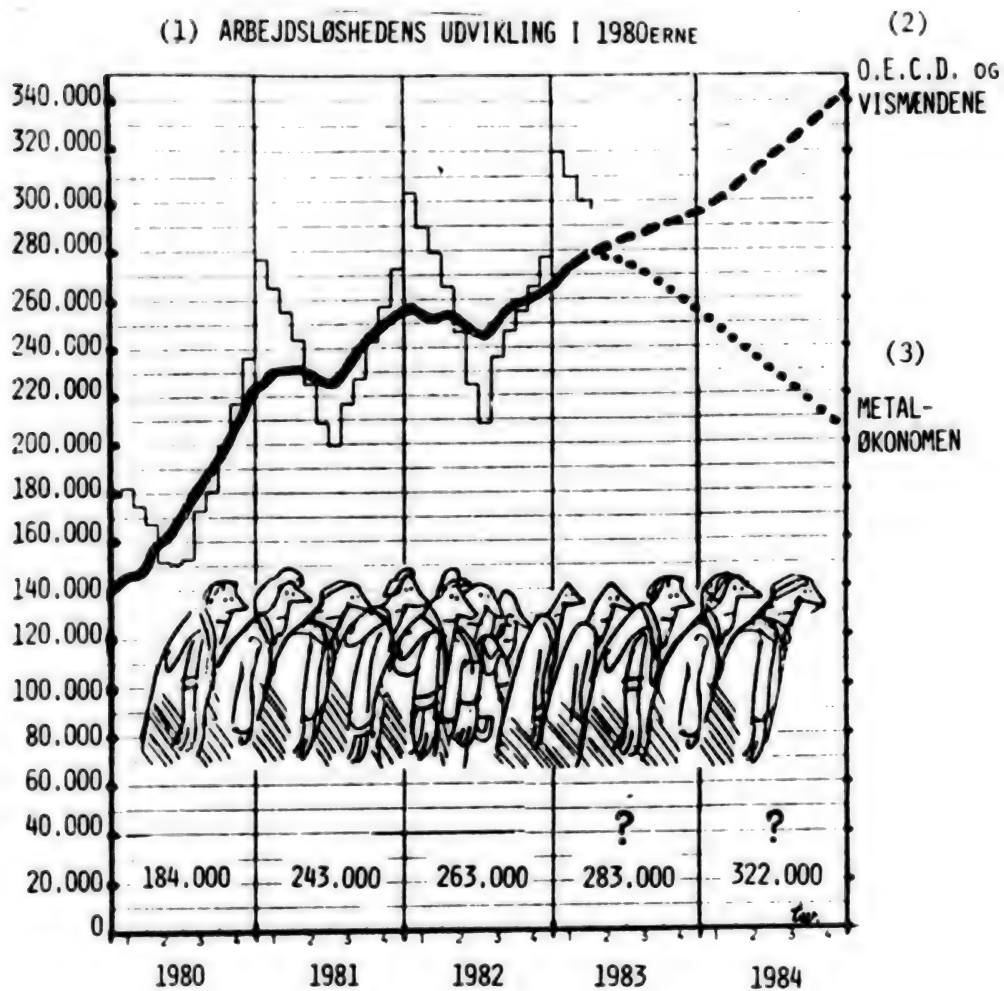
The most recent (seasonally adjusted) unemployment figure of 278,000 seems hopelessly high--but it is not.

We actually can create full employment in Denmark. If each of Denmark's over 300,000 businesses employs just one extra worker, unemployment would be eliminated.

The task is to create the conditions that will make it possible and profitable for businesses to hire more people.

The first decisive step in this direction has been taken and the results already can be seen in the statistics.

We should not be surprised to see that unemployment already has begun to drop since last fall.



Unemployment month by month, according to Danmarks Statistik, as well as some predictions for the future.

Key:

1. Unemployment during the 1980's
2. OECD and panel of experts
3. Metalworkers' economist

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WAGE RISES ABROAD SEEN AIDING DANISH ECONOMIC RECOVERY

Copenhagen BERLINGSKE TIDENDE in Danish 3 Jun 83 p 1

[Article by Ole Schmidt Pedersen]

[Text] Over one third of the workers in the iron industry have completed wage negotiations this year. They received an average of 3.3 percent more. Thus, for the first time in many years, wages have increased less in Denmark than in other countries.

"As unbelievable as it sounds, the new wage increases will permit Denmark to increase its competitive strength. Perhaps I should know our economic history better, but I cannot remember a similar situation," director Sven F. Thomsen told BERLINGSKE TIDENDE. Considering both hourly wages and piecework contracts, ironworkers obtained an average increase of 3.30 percent. This includes the 1.10 krone all metalworkers received on 1 March this year.

The Iron Industry Employers Association estimates that wages will increase by 3.6 percent in the countries that are our most important competitors. These figures are weighed and adjusted for changes in exchange rates, etc.

Based on wage rises that are 0.3 percent lower than in other countries, Sven F. Thomsen now has more faith in the future, but he still does not agree with the chief economist of the Metalworkers Union, Steffen Moller, who has predicted 100,000 new jobs.

"Of course, wage increases of this magnitude will make it possible for us to improve the employment picture. Nevertheless, we must remember that the industry always has a large unused capacity. For this reason, employment levels will rise extremely slowly," Sven F. Thomsen said.

"The workers have read the handwriting on the wall. They now prefer to get something for their money, instead of having high wage increases, resulting in inflation," Sven F. Thomsen said.

With contracts approved for 35,000 workers, the first round of local wage negotiations is over. Traditionally, the summer months have been quiet. Later in the fall, the rest of the metalworkers will decide whether or not to use their right to negotiate wages.

HEAVY RAINS EXPECTED TO CUT AGRICULTURAL PRODUCTION IN HALF

Copenhagen BERLINGSKE TIDENDE in Danish 7 Jun 83 p 1

[Article by Ib Christensen]

[Text] Even before the seed has been planted, agricultural experts are predicting that the fall harvest will be at a record low.

Even with a long, dry summer beginning now, the harvest will be no better than one third below the Danish norm of about 7.2 million tons. If the wet weather continues, farmers are in danger of experiencing a catastrophic fall, with half the normal harvest.

BERLINGSKE TIDENDE was given this bleak picture by the National Office of Plant Cultivation in Aarhus. On Wednesday the office will present a report on the agricultural situation. Experts have inspected the entire country and sized up the situation. The situation is worst in northeastern Jutland, the lowlands, South Funen, and Lolland-Falster, where the water level is above furrows in many places.

Ten percent of the farmland, 150,000 hectares, still has not been planted. In addition, many fields must be replanted. It already is too late to plant more wheat, rye, peas, and rape. Most farmers must plant barley and use the grain as fodder.

The consumer will hardly notice any higher prices on milk, bread, or meat, according to the farmers' associations. The farmers' share of each krone spent at the grocery is only 11 ore for white bread and 17 ore for rye bread. The figure is higher for milk and butter, 53 and 85 ore, but these prices are held down by the price war among the dairies. For a long time now the hoof-and-mouth disease has held meat prices down.

There could be a shortage of grain for bread if the rain continues, but the shortage hardly will be severe, since 550,000 tons of wheat and rye already is in storage, due to the large supply in other countries. The Agriculture Ministry now has permitted the import of exceptionally fast-growing varieties from northern Sweden, which will be the last hope for many farmers, whose only alternative now is barren fields throughout the summer.

CUTS IN EXPORT CREDITS WOULD AFFECT LIBYA, CUBA, POLAND

Copenhagen BERLINGSKE TIDENDE in Danish 7 Jun 83 p 21

[Article by Jens Olaf Jersild]

[Text] The Export Credit Council is considering tougher credit stipulations to guarantee Danish projects abroad. This follows a more than 50-percent rise last year in payments of loan guarantees on export projects in which the recipients were unable to live up to their obligations to Danish companies.

It was decided at a council meeting that a new set of regulations would be developed, which the council would act on sometime this fall. The proposed new rules will be presented to the council this fall. If approved, they would mean higher premiums and tougher regulations on projects in Poland, Cuba, and Libya, among other countries.

Last year the council paid off guarantees and securities of just under 370 million kroner, compared to 230 million kroner in 1981. The increase is due primarily to "political risks," in which the recipient of the export order was a state or a municipality in another country. These payments are considered "outstanding debts," since the council hopes to recover the money from the authorities or government in the other country. Thus, this item increased from 404 million kroner 616 million kroner last year. At the same time, losses resulting from commercial customers increased from 70 to 90 million kroner.

Vice-President Povl Gideon said, "We are working with a proposal to introduce more restrictive regulations for countries with a high level of political uncertainty. Libya, Poland, and Cuba are responsible for by far the largest portion of the new outstanding debts and the question is whether or not we will be able to offer guarantees under the conditions that exist today. The Export Credit Council will make a decision sometime this fall," Povl Gideon told BERLINGSKE TIDENDE.

9336

CSO: 3613/130

FINANCE MINISTER: TRADE DEFICIT TO DROP IN 1984

Copenhagen BERLINGSKE TIDENDE in Danish 10 Jun 83 Sect III p 1

[Article by Frank Dahlgaard: "Deficit Will Be Two to Three Billion Lower in 1984; Government Deficit Expected to Be Lower for First Time in 10 Years"]

[Text] For the first time in 10 years there is a chance for lowering of the government financial deficit.

This is reported by Finance Minister Henning Christophersen, who is putting the finishing touches on the 1984 finance bill.

"The government deficit is expected to be 64 billion to 65 billion kroner this year, but next year the deficit will be 2 to 3 billion kroner lower, and this is the first time in 10 years that there has been an improvement in government finances," the finance minister said.

This information was given at a press conference Thursday after the Savings Bank Association annual meeting at Nyborg Strand.

When the Firkløver government presented its economic policy in the fall the goal was proclaimed of just preventing the government deficit from being larger in 1984 than the 1983 deficit. This objective alone would have required a big savings effort in public budgets.

Because of the falling interest rates and the general economic improvement now there is consequently a chance for direct lowering of the government deficit.

Finance Minister Henning Christophersen says, however, that business investment will supposedly really first show an increase when "we reach the other side of 1 January 1984."

Swallowed Bitter Pills

Industry Minister Ib Stetter explained in his contribution to the discussion at the Savings Bank Association's annual meeting yesterday why the government quite recently accepted a number of defeats in the Folketing:

"The country cannot afford new comedowns and that is the reason that we in the Folketing had to swallow some bitter pills. It has not been pleasant, but the consideration of having the economic recovery policy carried out is more important than the government's political vanity. I am convinced that we are respected among the people for not having let go the reins at the first available opportunity."

Ib Stetter expressed fear of a fresh outbreak of inflation and emphasized that it is still a long way before the country's economy will be restored: "The future will show whether we are permitted to carry out our policy completely," the industry minister said in conclusion.

8985

CSO: 3613/131

INDUSTRY COUNCIL SEES IMPROVED EMPLOYMENT, GROWTH RATE

Copenhagen BERLINGSKE TIDENDE in Danish 15 Jun 83 Sec III p 3

[Test] In its latest forecast for developments in the Danish economy and industry's sales opportunities, the Industrial Council estimated that total domestic employment would grow by up around 10,000 jobs in 1983. This figure is based on an expectation that total production of goods and services will rise by a good 2 percent both this year and in 1984.

At the same time, the council estimated that demand on industry's foreign markets would grow moderately in the next year and a half, which would create slightly better export possibilities for Danish industry than it has had in the last few years, in which exports have grown by about 2 percent a year. It is estimated that industrial exports will grow by 4 percent in terms of volume this year and by 6 percent next year.

The slackening off of the domestic inflation rate is now having a positive effect on consumer buying power and therefore, according to the Industrial Council, we can expect a certain increase in private consumption.

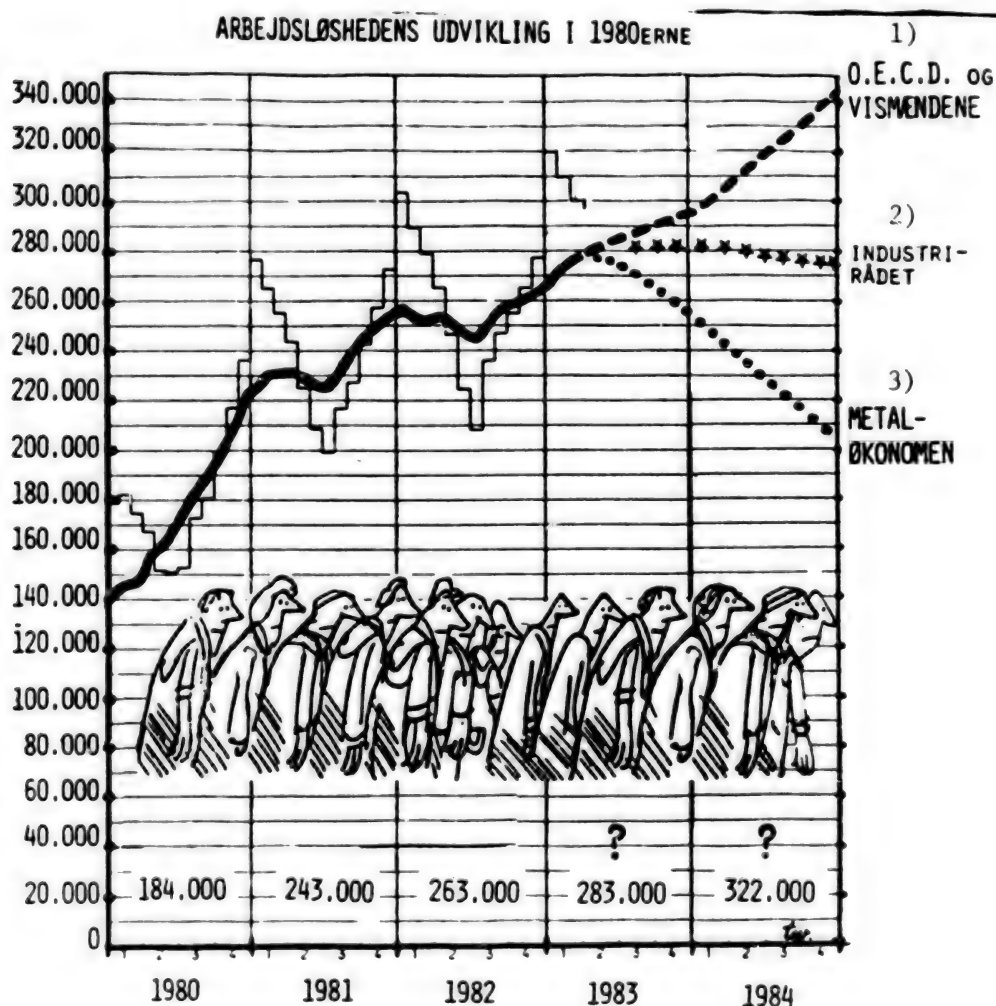
With 10,000 more people working this year, the number of people registered as unemployed this year will be around 280,000 or just under 20,000 more than in 1982.

The Industrial Council forecast estimates a growth in employment next year that will just about offset the net growth in the labor force and therefore the unemployment figures for 1984 will be close to the level for this year.

A contributing factor to this development is that during the course of the long recession, firms have adjusted the labor force to a lower level of production, so that a rise in production could quickly result in a rise in the number of people employed.

The deficit in the foreign balance of payments will be reduced from around 19 billion kroner in 1982 to 13 billion kroner this year and it will be further reduced to around 11 billion kroner next year.

But the clear surplus in the trade of goods and services will be more than offset by the interest payments on foreign debts, wrote the Industrial Council in its forecast for the next year and a half.



Developments in Unemployment in the 1980's

Three different estimates of the development of unemployment in the 1980's were based on the number of people registered as unemployed in Denmark, as listed by the Danish Central Statistics Bureau. At the top is the identical pessimistic estimate by the OECD and the government economic advisers, the middle shows the optimistic estimate now being presented by the Industrial Council's economists and at the bottom are Metalworkers' Union chief economist Steffen Moller's very optimistic predictions of a decline of 100,000 in unemployment figures.

Key:

1. OECD, government economic advisers
2. Industrial Council
3. Metalworkers' economist

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CSO: 3613/135

BRIEFS

UNEMPLOYMENT FIGURE DROPS--On Wednesday, 289,200 people were registered at employment opportunity offices as unemployed. That is around 3,500 less than the figure for the previous week, according to the report from the Labor Directorate. Nearly half of the decline was due to a drop of 1,700 in the number of semiskilled workers out of work, while most of the rest is due to a decline of 1,300 in the number of construction workers who are out of work. From a geographic point of view, unemployment declined most in Funen County, where around 700 people found work, while around 500 people in North Jutland County found jobs. [Text] [Copenhagen BERLINGSKE TIDENDE in Danish 18 Jun 83 p 12] 6578

INDUSTRIAL INVESTMENT INCREASING--Investments are to increase 11 percent; industry investments are increasing this year. Danish industrial firms during the first half of the year have carried out a heavy upward adjustment of their investment plans. This has been demonstrated by the Danish Statistical Administration's semiannual investment study. The study is based on information from top executives in the country's 600 largest industrial firms, which together represent 60 percent of all industrial employment. In October last year industry leaders only expected 1983 investments of 3 percent over the 1982 level in current terms. The new investment study from April of this year, however, shows expectations of a good 11-percent advance in investments. The strongest investment progress is expected within the graphics industry and the woodworking and furniture industry together with the chemical industry. Economists in the Iron Industry Employers Association worked on the figures from the Danish Statistical Administration and informed BERLINGSKE TIDENDE that the upward adjustment in the iron industry's 1983 investments from October to April has been from plus 4 percent to plus 11 percent. [By fd.] [Text] [Copenhagen BERLINGSKE TIDENDE in Danish 10 Jun 83 Sect III p 4] 8985

CSO: 3613/131

RAPID GROWTH IN INFLATION CHALLENGES NEW GOVERNMENT

Frankfurt/Main FRANKFURTER RUNDSCHAU in German 1 Jun 83 p 9

[Report by Hannes Gamillscheg from Reykjavik: "Icelanders See Prices Gallop Out Of Sight--Dependence on Fishing Pulls Economy Deeper and Deeper into Maelstrom--Second Jobs as a Cure against Inflation"]

[Text] Thora Leifsdottir has seen prices fall only once--2 1/2 years ago, when a currency reform cut the last two zeros off the Icelandic currency. Icelanders had grown tired of figuring things in millions and still having hardly anything left in their wage envelopes in the end. So 100 old kronur became 1 new krona. That did not stop the skyward flight of prices. In the past few months Icelandic inflation has been galloping at such speed that, accustomed though the Vikings' descendants are to the affliction, it took their breath away. The National Economic Institute in Reykjavik estimates that, on an annual basis, the rate is exceeding 100 percent. As soon as Thora Leifsdottir gets her weekly wages, she goes to the supermarket. By shopping today, she outfoxes the inflation of tomorrow.

What she has to pay is steep enough as it is. The equivalent of DM 5 for 100 grams of ham. DM 4 for a kilogram of apples or five small green bananas. DM 6 for a liter of yogurt. DM 2 for a cucumber, DM 15 for iceberg lettuce. DM 4 for half a pound of butter, DM 35 for a kilogram of pork chops. DM 20 for 30 diapers. After filling her shopping basket and just about emptying her wallet, Thora makes a quick stop at the monopoly liquor store, jam-packed every Friday, and buys a bottle of whisky for DM 50 or, for DM 35, a bottle of a clear schnapps called Black Death in Iceland, which she can use over the weekend to drown her financial worries.

Tourists visiting Iceland also keep gaping at the price tags, wondering who is supposed to pay those prices. This despite the fact that they benefit from the increase in the value of their dollars or marks resulting from the constant devaluations of the Icelandic krona. Icelanders do not have that consolation but have to wait for the cost-of-living increases which so far, four times a year, more or less have offset the rise in prices for them. The new right-wing government has also deprived them of that consolation. Are there then no bargains in Iceland? There are: fish. If anyone orders frightfully expensive second-rate pork or very ordinary steak, he has only himself to blame. For half the price he could have gotten a dish of fish of a freshness and quality

unobtainable in central Europe. Or he could have stuck to lamb, which is also distinctly cheaper than pork or beef and is a revelation in taste to anyone who is used to eating deep-frozen New Zealand lamb. Thora Leifsdottir too serves here family mainly fish and lamb. Her budget can handle that better.

Expensive Cars...

In the streets of Reykjavik, new houses are shooting up at a speed which contrasts blatantly with the Icelandic economic crisis. The standard of living, notwithstanding above-average prices and below-average wages, in no way lags behind that of the other Scandinavian countries. The streets are clogged with American deluxe sleds. How can the Icelanders afford that?

They manage it by moonlighting. Gudjon works in a fish factory; in addition he is a cameraman if there is something to be filmed. Pall is an engineer and teaches folk dancing at night. Magnus, a trained economist, generally works as a journalist, while Gudmund, an architect, makes additional money as a fish breeder. If nothing else is available one gets a job on a cutter during the fishing season. There one can earn enough money in a few hard weeks to be able to afford something extra again.

Rather than adapting their consumption to their wages, they conversely adjust their income to their consumer's wishes, working as long as 14 hours a day if need be. This has made it possible to live quite well despite the ruinous government financial position. But now, when inflation is rising to three digits, the Icelanders are afraid they will lose the race with the currency devaluation. "Sick of inflation, the people are ready for steps to be taken, whatever they may be like," says political economist Hallgrimur Snorrason. "The present situation is nerve-racking: You don't know how long prices will hold, and you don't know what is going to happen to wages. It is difficult to make plans, and it is difficult to keep one's money."

In addition to the 100 percent inflation, there is a balance-of-payments deficit amounting to 10 percent of the GNP, and foreign debts take away every fourth krona of income for interest payments and repayments of loans. Dissatisfaction with such economic chaos made itself felt in the last elections as far as the established parties were concerned. New protest groups moved into Parliament. The governments of the past few years, whether right or left, are substantially at fault, but they are not the only ones to be blamed for the ruinous state of affairs.

Because the Icelandic economic continues to be 80 percent dependent on fishing, there is no way of escaping the big fluctuations on the international fish market. When prices rise, money pours into the country, fueling consumption and promoting inflation. When prices fall, the balance-of-payments deficit increases, the government devalues the krona to improve the international competitiveness of the Icelandic fishing industry--and again inflation is pushed upward.

The problems with fish are joined by other inflationary factors--a loan policy that has been extremely accommodating for years, liberally distributing loans without regard to the economic situation, with interest rates often below the

rate of inflation. This turned the contracting of debts into a wonderful deal. In addition, until last year wages were so immune to inflation that even an increase in penalties for illegal parking caused a rise in the cost-of-living index and thus triggered wage increases.

Despite the curtailment of the indexing of wages and new provisions in the credit market, it has not yet been possible to put an end to the inflation race. Now there are strict rules governing the issuing of loans, and interest rates are tied to the inflation. At the same time, banks are luring customers with inflation-proof savings accounts. Whereas previously anyone taking his money to a bank was throwing part of his savings into the wastebasket because the interest could not keep step with inflation, he now is fully compensated for inflation and--provided he ties his money up for half a year--even receives an additional percent. This has not turned Icelanders into a people of savers, however. If one has been accustomed for years to spending everything as fast as possible, one cannot shed this habit overnight.

Nor has the currency reform, which was meant to give Icelanders a "feel for money" again, had any positive effect. On the contrary, says Hallgrimur. Accustomed to high figures, Icelanders were only too ready to pay prices with a couple of zeros cut off, and the merchants took advantage of that to effect price increases noticed by only a few in the general confusion. The biggest mistake, however, according to Snorrason, was not to cut off three zeros. That would have made it possible to wait a little longer until the next reform.

When confronted with the poor economic data, Icelandic politicians point out that they at least have maintained full employment. For a sparsely populated country which can cope with everyone holding two or three jobs and puts up with 14-year-old boys signing up on fishing cutters, this may not sound all that exciting. Nevertheless, it is a fact that all governments give priority to maintaining full employment. An indication of that is the constant devaluations as soon as the fishing industry encounters problems on the world market. The fact that there is unemployment in Iceland today is a statistical phenomenon rather than a problem. In former years it was accepted as a matter of course if the fishing industry worked overtime for quite a number of days after the cutters had come in fully laden, and then lay fallow when the weather was bad. Now the idle days are registered as "unemployment."

...and Expensive Oil

Iceland's energy balance is also positive. Heating 80 percent of housing, the hot geysers supply the inhabitants with inexpensive energy. In the open-air grounds of Reykjavik, the swimming pool has a temperature of 27 degrees Celsius even in the depth of winter. But even in Iceland cars do not operate on hot water, and the fishing fleet too needs oil. Iceland bought this oil in the Soviet Union, paying spot-market prices. At times these were more than 40 dollars a barrel--much more than was being paid by countries with firm contracts. Iceland therefore sought such a contract and finally concluded one with British Petroleum. Now Iceland pays BP fixed contractual prices--much more than would be required on the spot market in Rotterdam.

This too is pushing Icelandic inflation upward. The new government of liberals and conservatives now wants to take up the fight by suspending free wage negotiations. In lieu of indexing, there are legally set wages rises. Former professional soccer player Albert Gudmundsson, who has now become minister of finance, plans to spend 12 percent by 1 October--much too little to offset inflation more or less. Heavy foreign indebtedness requires a calm currency policy in order to avoid debts increasing even further. The poor catch of fish this spring at the same time provoked demands for another devaluation in order to get more kronur into the coffers of the fish factories. The new government yielded to this desire with a 14.5 percent devaluation. The fighting of inflation has to wait yet again. Nevertheless, Steingrímur Hermannson's new government hopes to lower the rate of inflation by 50 percent by the end of the year. Yet a stabilization of the Icelandic economy appears impossible as long as four of every five export kronur being earned by the country originate with fishing.

A broad basis for the Icelandic economy is therefore a priority aim. For this purpose, Iceland wants to employ its cheap energy and lure foreign companies to the North Atlantic island--despite the fact that the experience with an aluminum plant built by the Swiss Alusuisse was not the best. What with Alusuisse obtaining electricity at bargain prices, the Icelandic minister of industry felt that he was being cheated by the company of at least 6 million dollars in taxes. Nonetheless, all parties with the exception of the Communists think that the right solution for the future is cooperation with foreigners who can bring the needed know-how to the industrially underdeveloped country.

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CSO: 3620/373

PHILIPS' PRESIDENT ON ECONOMIC, TECHNICAL TRENDS

Amsterdam ELSEVIERS MAGAZINE in Dutch 7 May 83 pp 152-159

[Interview with Dr Wisse Dekker, president of Philips, by chief editor F.A. Hoogendijk and economic editors W.A. Verwoerd and H.G.J. Pot at the Etoile Restaurant of the Cocagne Hotel in Eindhoven: "Sometimes You Think, What Is there Left for me in this Country?"; date of interview not given; passages enclosed in slantlines, printed in italics]

[Text] The Netherlands is not an unfavorable home base for the further internationalization of the Philips corporation. "But then they shouldn't make it impossible for us to operate here," the president of Philips, Dr Wisse Dekker, warned. During a working breakfast with ELSEVIERS MAGAZINE he outlined Philips' own reorganization, lines of march and fight for survival on the world markets. In this respect, Philips does not want to be constantly hampered by know-it-alls of the "admonishing finger" kind from the Hague. The government has become wiser, but Dekker still shudders at others who affect attitudes.

Question: If Philips were to be able to start all over again, where would you like to locate the head office?

Dekker: Nearly any answer can generate misunderstandings. Let me explain it with a detour. If we were to start today, and if we had had our central office and all development in America, then we would now have had the advantage of a large homogeneous home market. We still largely lack this in Europe. This is why we consciously expanded in America, where we are now making more than 20 percent of our corporation's turnover. However, if America had been our home base, then we would now have been faced with the tremendous difficulty of penetrating the European market. We see that with our American friends; they have, generally speaking, greatly underestimated the complications of the European market. From this point of view then, if you look for a home base in Europe in order to really be able to operate in Europe, then I think that geographically speaking the Netherlands is not such a bad location at all, because it is open, it has good connections, and it plays too small a role in international politics to arouse great resistance. Hence, the Netherlands as the location for a company such as Philips does make some sense, but in this respect one should be somewhat careful as to what government is in power there.

Because there have been administrations in the Netherlands which have hampered us tremendously.

Question: In what way were you hampered in the Netherlands?

Dekker: If we have a government in the Netherlands which is constantly raising an admonishing finger against all kinds of countries and against your own company, then this will of course influence your own position abroad. If you have an administration under which it is allowed to attack "the multinational" from all directions, as was still the case 3 or 4 years ago, with allegations of "exploitation," with making profit a disgusting concept, thus not being allowed to make profits, etcetera, etcetera, well then, as a company, you do wonder what there is left for you in this country. But we did get over all that, and the last couple of years things have gone a great deal better. And then the Netherlands really is a good starting base, because politically speaking the Netherlands generally means absolutely nothing in the world, in spite of all the noise that is made in the Netherlands. A favorable point is the fact that we have a great deal of talent in the Netherlands. Although I am afraid that with the current education system in the Netherlands, that talent will have little chance to develop. That is one of the major dangers.

Question: Did the education establishment behave in an antagonistic manner toward industry in recent years?

Dekker: Yes. If they ever could historically evaluate all the things that have been destroyed in this respect in recent years in the Netherlands... one wonders whether this damage can ever be made up for.

Question: Children no longer know where their father works, because the education system does not tell them that?

Dekker: True. And that is not all. When you hear what the youth in our country are being /enlightened/ about by other people. Driving home yesterday, I heard an IKV [Interchurch Peace Council] broadcast for young people on the radio. Well, it reminded me of the time of the Hitler-jugend. They announced that everyone must participate in the so-called anti-nuclear movement, and how they should go about it. Then they said: you should look around in your own neighborhood and see whether there are any unusual patterns of behavior by soldiers or, for example, whether there are people who are making cadastral surveys, etcetera, and if so, you should notify your local IKV representative. Well, the next step will be for them to say: children, you must listen at home to what your father says about nuclear energy. And if you were to hear that something is happening at the air base, then you must immediately notify the local IKV representative! Well (said Dekker indignantly), that is the purest form of dictator state! And I give you permission to put it that way in your newspaper.

Question: Are you pleased with your Spring Memorandum?

Dekker: Not very pleased. But on the other hand, I can understand the position the government is in and it would be unfair to claim that it should have been able to do a lot more. Hence, under the existing circumstances I do find it a step in the right direction.

Question: This administration does want to go in a different direction than the previous one with its nit-picking. But if far-reaching changes do not occur, then we will continue to muddle along with the economy in the Netherlands. And you, as a major entrepreneur, do have problems with that, don't you?

Dekker: Yes, that is absolutely true. But you should not lose sight of the fact that as far as the total turnover and business of Philips in the world are concerned, the importance of the Netherlands is relatively small. We achieve only 7 percent of our corporate turnover in the Netherlands. Nevertheless, the Philips operation is of course of great importance for the Dutch economy. Philips exports about 10 billion guilders worth of products from the Netherlands; I believe that that is about 10 percent of total Dutch industrial exports. Philips Netherlands also has an important position with regard to all the other Philips operations in the world. We would like to maintain and expand that, but the Netherlands must not be an encumbrance to the further internationalization of Philips. That process has been going on for a long time and it will continue. In this context, we would also like to continue making use of Dutch talent. But you can obviously not continue to serve the international Philips world exclusively with Dutch talent; that will also have to be internationalized more.

Question: It is always claimed that Philips wants to decrease the number of people it has working in the Netherlands. Is that a deliberate policy?

Dekker: No. That is not true. We do not per se want to work with fewer people in the Netherlands. But we do see that in our branch, the quality of work in the products will generally speaking not increase. And we must take that into account. That is not only true in the Netherlands, but that is really happening all over the world. I expect little change in this, unless the economic situation becomes totally different, better. Specifically, an important factor here could be that we could get a cost reduction for business and industry. To this effect, I consider it crucial that business and industry once again be put in a position to earn money.

Question: It is said that the decision making powers of business and industry in the Netherlands are bogged down by endless discussions.

Dekker: I think that it has become somewhat of a Dutch character trait to discuss for the sake of discussing. That is just like people telling you: you wrote a letter to Mister A, but I didn't receive a copy. And then I say: why do you want such a copy? Response: That is immaterial, but I should have gotten a copy. Well, I think that all those bureaucratic doings are wrong, because they get you into a fog. I think that real discussions are extremely important, but then they should remain short and business-like. And this also applies to talking to your own works council; then you should handle matters which relate to your own company and which you try to accomplish within it. There should also be a clear loyalty toward one's own company. Politics should stay outside!

Question: You mentioned the crucial point that business in the Netherlands should once again be able to earn money, but that obviously also applies to the Philips corporation as a whole. Fortunately, the results booked by Philips are rising once again. But a profit (after taxes) of 1.1 percent of the corporate turnover is really still far too little, isn't it?

Dekker: In total it is not insignificant, but as percentage, for a corporation like ours and with the products we handle, it is indeed far too little.

Question: The background to this question is that, through research and development, Philips manages to hold its own wonderfully well with regard to other giants in the world, but this does require a tremendous financial effort, doesn't it?

Dekker: We spend approximately 7 percent of our turnover on research and development. There are not many comparable enterprises which reach that figure. Not even our Japanese competitors; they spend perhaps 3.5 to 4 percent of their turnover on it.

Question: Is it true that as president, you have coupled Philips' research somewhat more closely to what really happens in the market?

Dekker: This coupling has not changed all that much, but the Board of Directors itself has seen to it that the whole process of product development has been accelerated. And we are far from being satisfied on that score.

Question: You mean that when Philips has made a discovery or developed a product, that you cannot risk having a competitor run off with it in the market before Philips has had a chance to get it going?

Dekker: Yes, of course I find that the most dreadful thing I can imagine.

Question: Like what happened with the video recorder?

Dekker: Well, that did not happen with the video recorder, but at a given point we did let things slip a little. We were first on the market with the video recorder. But at that time, we allowed ourselves to be slowed down -- I think because we were too perfectionist, and because we still hoped to be able to achieve a system-standardization with other manufacturers, but at the time the Japanese continued to have different ideas on the subject. And that was a mistake.

Question: Did you then deliberately develop some cooperation with a Japanese company (Sony) for the compact disk, in order to limit such a risk?

Dekker: You could compare our policy with regard to the compact disk with what we did in the past with the audio cassette. That is also something that was developed by Philips. At that time there were also several systems available, because one is seldom alone with such developments. At that time, I went to Japan myself and I was able to help convince Japanese industry to agree to the standardization of specifications for those audio cassettes. That worked well for all the parties involved, because it was possible for the

market for that product to expand tremendously and we are still doing good business with it. Later on, we also tried to achieve that standardization for the video cassettes, but that did not succeed. And then there was the unfortunate business with ultimately three different video recorder systems. At the present time, VHS is the biggest. Betamax (by Sony) is currently slipping sharply. We, ourselves, experienced a major comeback with our 2000 machines. We are selling a fair number of those machines, and that will yet improve. But everyone knows, notices and sees -- and we do too -- that the existence side by side of three different video cassette systems is a very unfortunate situation. And this is one of the main reasons why the Japanese have joined Philips at the negotiating table and why we have recently been able to reach an agreement on the standardization of the new 8 millimeter video tape cassettes.

Question: When you buy a compact disk player in the store today, some are labeled Sony and others Philips. How much of your own trademark, character, distinction is still involved then?

Dekker: We would have liked to achieve standardization of the compact disk with others. We said at the time: in order to accelerate the whole business, that we would like to work on the last stage of the development of the player with a Japanese firm. Such a development requires a certain number of man-years, and if at some point you do that together with someone else, then it obviously goes a great deal faster. Philips then made an agreement with Sony that Sony would develop certain parts. In fact, Philips had already developed the lion's share by then. As far as the manufacturing of the machines is concerned, there is for the time being indeed a vast exchange of parts for the various makes. To what extent this will continue to be the case remains to be seen.

Question: During the seventies, Philips emigrated a great deal to the Far East, because of the development of labor costs and the worsening economic climate in the Netherlands. Now that all of that has returned somewhat to the international harness, and now that, among other things, labor costs in the Netherlands have become more moderate in the last couple of years, is there any chance that Philips' activities will once again return closer to home, that is to say that more Philips manufacturing may be shifted from the Far East to the Netherlands or at least to Western Europe?

Dekker: We have never been known as a firm which likes that kind of yo-yo game. It is not true that when something changes in the climate somewhere, we then leave to go do things elsewhere. The factories and businesses we have established in the Far East will definitely remain there. And if the economic situation recovers somewhat, then those companies will also have a good chance of expanding. On the other hand, it is also true that because of increased automation, also because of the changing design of the products, there are once again more manufacturing opportunities in Western Europe. Hence, it is not true that we are going to manufacture things here instead of in the Far East, because we want to shift that manufacturing back from there to Europe. It should not be forgotten that, when compared with the situation in Japan for example, Europe still has to bridge a productivity lag of about 20 percent. This difference between Japan and specifically the Netherlands is the result

of a combination of labor costs and productivity, paid vacation, absenteeism, etcetera. But we are once again making many new products in Europe. Just look at the compact disk and the compact disk player. We manufacture those machines in Hasselt (Belgium). Our 2000 video recorder is manufactured in Vienna and Krefeld. Then you could say: none of that is in the Netherlands. Agreed. But a great many parts for them are manufactured and subcontracted in the Netherlands, such as the motors, the integrated circuits, the prisms, etcetera. Hence, with each new product and to the extent that continued automation will impose changes in manufacturing, we will have to review what we can do best where. But then in the Netherlands you trip over the problem that the unions are not very interested in automation, because in their opinion it causes unemployment. This way you end up in a vicious circle. Because if we cannot automate here, then we cannot compete on the world market and then we would perforce have to go to the Far East for this.

Question: Does Philips consider the United States a favorable market for new products?

Dekker: Yes. The American market reacts incredibly quickly to new products. When an American sees something new appearing on the market, he quickly wants to have it. That provides a tremendous incentive for industrial innovations.

Question: Philips expanded significantly in the American market and technological sectors through company takeovers and its own expansions. Does Philips plan to continue on this road?

Dekker: When you take a road, you usually do it with the intention of continuing on it. If you study the Philips portfolio, you will see that we are reasonably well covered in America in the area of audio and video. Specifically with the past purchase of Magnavox and the takeover of Synetics, as a result of which we are also well covered in the area of parts (components, etcetera). Last year, we took over everything from GT-Sylvania in the area of video and audio, but nothing in the area of light. We took care of that through the recent acquisition of Westinghouse's electric light operations, as a result of which we became the largest light manufacturer in the world. In terms of word processing, about a year or so ago we took over Micom in Canada, which does good business on the Canadian market and is currently building up an interesting market position in the United States (and elsewhere). We prefer not to expend time and energy to enter the American telephone exchange market ourselves, because it is completely in the hands of giants. In the area of information technology and data processing, we have an important major industry group and a rather significant position in Europe, but -- except for some word processing -- we are not yet covered in America. I feel that this remains a significant gap in our program in the United States. But that does not necessarily mean that you can expect an acquisition in this area in the near future. It is quite possible that we will tackle the matter there under our own power. As we accomplished in the past with medical systems, for which we now are a major supplier on the American market. After having originally exported medical systems from Best (North Brabant), we now have a very large establishment of North American Philips in Shelton (near New York). It is a very large business which operates there, under the coordination of our major industrial group, in part with our exports from Best, and in part with

its own developments. Thus we have built up a tremendous position in America with our Philipsave, coffee machines, and air cleaners.

Question: All of that is of course important, but if Philips were to miss the boat in the rapid development of the data processing market, this could be a disaster for Philips, couldn't it?

Dekker: Yes. Our main industrial group "Data Systems" has built up an interesting market position in Europe, and also outside of Europe, for several categories of products in this sector, such as small business computers, bank terminals, etcetera. But not yet for the whole spectrum of these products, and not in America. Well, we will not be able to reach full deployment in this area -- and this applies for every European firm --, if we do not achieve a respectable position on the American market. Because 50 percent of the world market for those products is located in America; hence, you /must/ get in!

Question: This involves a significant part of the future of Philips; hence, you are likely to direct a great deal of effort in this direction, aren't you?

Dekker: Yes, that is right. The development of the whole data processing business is essential. When you look along the whole line from our color television to video - home computers - personal computers - telecommunications - teletext - compact disk player - laser techniques, all of these are segments which are coming together now in integrated products. We have all this technology available, but in Europe you cannot develop it strongly and quickly enough because the European market is still too slow and too fragmented. And then the French want their own system, the Germans want their own system, and the Dutch do a little of this and a little of that. All in all, this hinders a reasonable market deployment. And thus, you have to get going in a large homogeneous and innovation minded market like America. And the fact that we will get going there is illustrated by our joint venture with Control Data [CDC].

Question: In order for Philips to attract large telecommunication orders in the Middle East and in the Far East, you have had constructive cooperation with the technical leadership of the Dutch PTT [Posts, Telegraph and Telephone Administration]. And this in spite of the fact that the PTT is occasionally accused of having a decelerating monopoly grip on the development of new data processing structures in the Netherlands. How do you see this?

Dekker: In a certain sense, the problems you are referring to have nothing to do with the technical attitude of the PTT. And I am really not saying this because the PTT is an important client of Philips. I feel that, generally speaking, the Dutch PTT is technically very advanced, is very open to discussions with business and industry, and also has an international angle. Generally speaking, the Dutch PTT is also known abroad as being very good. And in this respect, I myself have absolutely nothing but praise for today's Dutch PTT. Gradually, a kind of business culture has developed in this company, which produces good calibre directors, and that is incredibly important.

Question: Is it true that over the next few years the Dutch PTT will offer a package of orders of about 7 to 8 billion guilders of the modern digital telephone exchanges?

Dekker: Yes!

Question: It is said that Philips is counting on at least a two-thirds share of those orders -- at least desperately hopes for them -- for the years beginning with 1984. Can you tell us something about it yet?

Dekker: I really don't dare say anything concrete about orders for Philips yet, because then I would be moving into an area where the PTT has the decisive voice. The rate for these purchases and the installation are obviously also determined by the wishes of the PTT in terms of the rate at which they want to shift to digital telephone exchanges and the rate at which the sizeable investments needed will be made available to the PTT by the government. We, the Philips company, are of course a very strong proponent of accelerating that process, because our large orders in the Middle East are gradually decreasing. And I believe that the PTT would also benefit a great deal from an effective telephone company with modern equipment.

Question: According to you, it will be a few months yet before the concrete form and content of the joint venture between American Telephone and Telegraph [ATT] and Philips for the sale of telephone exchanges outside the United States, will be sufficiently complete to be announced. But according to reports, in addition to an ITT offer for the future digital telephone exchanges, the Dutch PTT also has received an ATT-Philips type proposal. Can you tell us something about that yet?

Dekker: A technological wave of digitalization has spread all over the world for all kinds of products. At a given moment, someone in the telephone business must also say: this is a digital telephone system. Hence, there were manufacturers of telephone exchanges, all of whom said that their product was digital. In most cases it involved a system with a little bit of this and a little bit of that. At the present time there are really only two central systems on the market which are actually completely digital. The one is from ITT, the other from ATT. The ATT system is in our opinion, and in the opinion of many PTT's, the most advanced system, and this can also in practice be seen in operation in America. Hence, the cooperation between ATT and Philips relates precisely to the area of these digital telephone systems. Now, you have to realize that even though a system has been proven to work well in America, this is not immediately going to link up with the technical infrastructure in the Netherlands. Well, this is where the Philips part (entry and exit) in technology comes in to get such an American system to work well in the Netherlands. Recently, we and the ATT have, of course, provided all possible necessary information on the ESS-5 system to the Dutch PTT for further study. The PTT feels that it is a tremendously good system and foresees tremendous market possibilities. Assuming that our prices manage to pass the muster of the PTT, because the PTT always keeps us on our toes as far as prices are concerned. But it does mean that there are tremendous opportunities for Philips. In addition, the PTT always wants a second supplier. For the PTT this had, aside from Philips, always been Ericsson. Apparently, the PTT has now also

are impressed by the ITT system and they are looking more to ITT than to Ericsson for the position of second supplier for such exchanges.

Question: Taking an overlook of the areas in which Philips operates, there is a tendency to blur increasingly the borders between professional equipment and consumer products and a tendency for divergent technologies -- that is to say from different product groups in the past -- to be virtually integrated with each other to enable the manufacturing of advanced consumer products such as, for example, the compact disk player with laser reader, or video games, or home computers, etcetera. Doesn't this require quite an adjustment in your business organization?

Dekker: That is correct. Because of the flowing together of all these technologies, the overlapping of new products at Philips, the compartments and partitions between these product groups must also become more and more blurred, hence also within our business organization. We pay a great deal of attention to this adjustment in our Board of Directors meetings and we take measures, because the many new things which appear on the market could fall between two stools in our company, because they do not fit exactly in one product group or another.

Question: A major dilemma of our times is that chip technology and the continued automation of production may well represent technological progress and be necessary from an industrial economics point of view, but that, on the other hand, from a social point of view they may generate quite a number of problems. What is your view of that?

Dekker: True, when you talk about technological changes, everyone first asks: what will this mean for employment? In this regard, we must of course realize that we are in a transition period. Because all those new technological developments will once again create new jobs for an as yet unforeseeable number of young people.

Question: A reproach, often heard these days, from business and industry is that education in the Netherlands does not prepare the young people for all these new career developments. And this while the youth today are really itching to master all these new things. Could you as a big company build a bridge in this direction?

Dekker: Yes, the youth are itching to master the new applications of technology. Which means then that they find it terribly interesting to work on those applications. For us it is of course also very important to be able to hire those young people who are able to play a significant role in product development, programming, etcetera. When people see that our overall personnel figures are dropping, they usually forget that our companies are continually hiring young people. And in the Netherlands we are increasingly observing that it is difficult to find the right people needed for all these new developments. It has not yet become a crisis; they are, for example, working hard today in the Netherlands to tackle the whole field of software development. But our schools, our universities have been deficient in the teaching of data processing for a very long time. And if Philips were to say to the schools today: here boys, here you have our small calculator; go and use it in

school. Well then the education system would quickly react with: so, you are trying to bribe us! Which is nonsense, of course. In America, to get into most secondary schools, kids have to have their own calculator, simply as an obligatory learning tool. But something like that encounters resistance in the Netherlands.

Question: Would you argue that the Netherlands should have a ministry for data processing?

Dekker: Yes, absolutely!

Question: There is a strong tendency now in the Netherlands in the direction of indirect vocational training for young people, that is to say for part of their education to be a step closer to the actual practice of the business world. Let us assume that the government would have the courage to allocate part of the education budget to enable business and industry financially to give a large number of young people a vocational, practical training; would you, as president of Philips, be in favor of this?

Dekker: Absolutely. Why wouldn't this be possible in our country (as it is, for example, in Singapore, Sweden, Japan)? There are, of course, a number of reasons why this does not yet occur in the Netherlands, but there is no reason at all why it could not occur. I totally agree with you there. And we are, after all, such a small group in the Netherlands; it would be so easy to organize it! We also spoke about these training problems at the recent informal meeting of the major industrialists of Europe in Paris. At that time, the idea was also raised as to whether we should not make a common effort to set up a kind of European Technology Center or University, somewhere in Europe.

Question: Two questions linked with the need for cooperation in industry. You are an advocate of European cooperation in the electronics industry. Do you believe that, if necessary, the Treaty of Rome should be rewritten to include such necessary cooperation? And secondly: what are the short and longer term prospects for the development of cooperation between Philips and (a) Grundig, and (b) Thomson Brandt (France)?

Dekker: In reality, the Treaty of Rome did not settle much more than the European agricultural policy, hence the agricultural cartel. There is no need, as far as I am concerned, to rewrite the Treaty, as long as we can achieve a European industrial policy. I think that in this respect, the formation of a cartel would substantially improve the European position with regard to Japanese and American competition. I am not referring here to protection, but rather to a pooling of strengths and mutual agreements among industries in cases where this would strengthen their common position. In that case, a possible /European Cartel Office/ would be able to keep an eye on whether we remain within appropriate limits or whether we are exceeding them. I feel that useful partial cooperation for industry, such as in research and in price agreements, if necessary, should be encouraged -- for the time being from Brussels, because this is after all the only body we have. There is still too much of: be careful boys that you don't do this or that, because then you will catch it! As far as the prospects with Grundig and Thomson Brandt

are concerned: from the very beginning, we made it clear to Thomson Brandt that we were not thinking about getting out of Grundig (24.5 percent interest). When we took over that Grundig interest, about a year or so ago, we also agreed on the clause that our agreement would be necessary if Grundig shares were to be transferred to others. That was our strength when Thomson Brandt was making a bid for Grundig. At that time we took the position: go ahead, but we will not get out. At that time, Thomson Brandt thought that they would be able to settle with the German cartel office. But that did not succeed. We told Thomson Brandt from the beginning: why don't you take over Telefunken? That is ready! Well, in the end they did do that.

Question: And partial cooperation with Thomson Brandt?

Dekker: The French government would find that a very logical matter. We have also discussed this at great length with the top people at Thomson Brandt, Gomez and Fajard. But we haven't gotten very far with it yet.

Question: Philips would certainly not let go of Grundig, not only because Grundig also sells the 2000 video system, but also because Grundig is a large client for parts from Philips, right?

Dekker: Yes, Grundig is our largest client in Germany. If Thomson Brandt had taken Grundig away from us, that would have been a terrible blow for us. Not the takeover of Telefunken.

Question: And Grundig's further leaning on Philips or not; Mr Max Grundig now acts somewhat as if he no longer finds this necessary.

Dekker: In a personnel newspaper, Mr Grundig said something like: that whole business is behind us, we are going on, we are strong enough, etcetera, etcetera; but if there were any changes, Philips would be our natural partner. Now, our understanding with Mr Grundig includes an arrangement for us to step in at any moment that we are wanted. Then we would of course still have to settle this with the German cartel office. But I believe that they would not make too many objections then.

Question: Can we interpret this in such a way then that you have already made a deal for the future?

Dekker: You can interpret it in this way, that as soon as Grundig expresses the desire for it, we will be ready to step in. And that Mr Grundig will turn to us if he thinks that the time for it has come. Mr Grundig will be 75 years old in May. Perhaps that will be the moment to say: I want to put some order in my house!

8463

CSO: 3614/110

'MAINLAND INDUSTRY' FALLING FURTHER BEHIND OIL SECTOR

Oslo AFTENPOSTEN in Norwegian 31 May 83 p 33

[Article by Pål Stensaas: "Extremely Bad for Traditional Industry: Offshore Industry in Growth"]

[Text] Traditional industry in Norway is steadily losing ground in comparison with the offshore industry, a study which the Norwegian Industry Federation has undertaken shows. Last year it was just concerns which supplied their goods and services to the oil industry which had accumulated growth in creation of assets. At a press conference yesterday Section Leader Bernt Stilluf Karlsen of the industry federation characterized the situation as extremely hard for traditional industry and called attention to the possibility that this industry can disappear as an important source of income for employment and creation of assets.

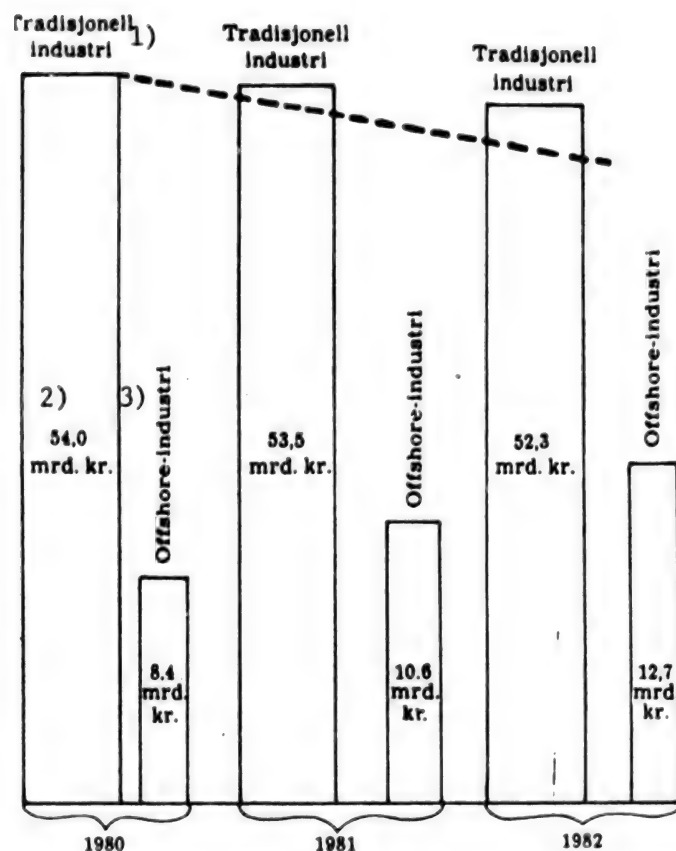
Two hundred and eighty concerns replied to the questionnaires from the industry federation. These concerns employed 103,000 people. Thirty-seven of these concerns had terminated their offshore contracts last year. These concerns pick up 90 percent of the creation of assets in Norwegian offshore-related industry.

The creation of assets in offshore-related industry increased 30 percent from 1980 to 1981 and 20 percent from 1981 to 1982. This is corrected for inflation. Traditional industry's creation of assets was reduced 2.5 percent. Without the growth in offshore industry traditional industry would have had its creation of assets reduced a total of 6.5 percent last year (in fixed terms).

Karlsen saw clear danger of so-called Kuwait effects in the Norwegian economy against the background of the new figures. The State is becoming more and more dependent on income from oil operations while industry on its part is becoming more and more dependent on the oil industry's expense side.

The industry federation's study shows that oil-oriented industry had total creation of assets of 12.7 billion kroner. The total creation of assets was 52.3 billion kroner last year for traditional industry.

The export sum from Norwegian offshore industry was 2.3 billion kroner in 1982. By comparison, it is estimated that Norwegian shipowners have revenue from oil operations abroad of 3.8 billion kroner.



Norwegian Industry is Becoming Increasingly More Dependent on the Oil Business. The Figures Above Are in Fixed 1982 Kroner and the Representation Shows Creation of Assets in Traditional and Offshore Industry. The Dotted Line Shows Creation of Assets Without Growth in Offshore Industry. (Source: Norwegian Industry Federation)

Key:

- 1. Traditional industry
- 2. 54.0 billion kroner
- 3. Offshore Industry

With 34 percent, Rogaland bears the largest creation of assets in oil-oriented industry but its share is dropping. The industry federation believes that Rogaland's dominance as the oil county has weakened. The study shows that East Norway is now coming on strong in this market. Oslo and Akershus increased their creation of assets by 2 percent to 25 percent and the inland counties in East Norway increased theirs 4 percent to 14 percent. Finnmark, Troms and Nordland remain unchanged at 1 percent, in spite of increased oil activity off the coast of this part of the country.

Concerns in North Norway earned the least and lost the most in oil operations last year. Seventy-five percent of the concerns covered by the study state they have had positive development of profitability by changing to oil operations. Thirteen percent reported that they are now losing money on oil industry contracts.

8985

CSO: 3639/126

FOREIGN LOAN OF \$300 MILLION NEGOTIATED

Lisbon O JORNAL in Portuguese 9 Jun 83 p 16

[Text] With a lag of more than a month after the initially planned date, the documents for the \$300 million foreign loan to the Portuguese Republic was signed on Wednesday, 8 June, with 29 banks, headed by the Chase Manhattan Bank and the National Westminster Bank, participating.

The difficulties encountered in getting this loan underwritten occurred in the United States in particular, where the banks are having difficulty obtaining payment for debt service from the Latin American countries, while at the same time continuing to provide the indispensable credit in order to prevent financial collapses.

The lack of liquidity on the international financial markets and the domestic political crisis which has dragged on since December were the determining factors in the deterioration of loan conditions this year, as compared to 1982.

The greater part of the loan will be amortized at the London interbank interest rate (LIBOR), plus 0.75 percentage points, and the balance at the United States preferential interest rate, plus a 0.45 percentage point spread. The amortization period for the loan is 7 years.

Treasury Difficulties

This loan comes at a time when the Bank of Portugal has been facing major treasury difficulties, in particular in meeting the requests of public enterprises which are having a hard time keeping the financial commitments taken on in 1981 and 1982. They have negotiated two loans with the International Payments Bank with a gold guarantee, in the amounts of \$400 million and \$300 million, respectively, since March.

On the other hand, foreign debt interest reached an overall total this year of \$1,200,000,000, about 6 percent of the gross domestic product, already a significant sum and a source of worry concerning the Portuguese economy.

The total foreign debt must now come to about \$14 billion (it was \$13,400,000,000 at the end of 1982), and the fact that short-term conditions pertain to 29 percent, a figure which has more than doubled in 4 years, and is closely related to the import of goods essential to the country, such as grains and oil, is a particular source of concern.

Financing the Deficit

The loan which has now been signed is intended to finance the state budget deficit, which was officially planned at 150 million contos for this year. However, it is much greater in reality, if we take into account the millions of contos which the Supply Fund owes to Petrogal and what the self-governing bodies owe to the EDP, which it is estimated may reach 12 percent of the gross domestic product, one of the highest relative percentage terms in the world.

The \$300 million come within the authorization the Assembly of the Republic granted to the cabinet for contracting foreign debts in the amount of up to \$650 million, for the financing of the budget deficit, regarded as the most problematical factor in balance and that mainly responsible for the high deficits in the country's foreign accounts.

Just recently, former minister of finance Silva Lopes stressed that a reduction in the deficit will require the adoption of highly unpopular measures, such as increases in the cost of transportation, fuels and other essential goods and services, in addition to the elimination of a large part of the existing interest rate subsidies, despite the fact that the figures stand at nearly 30 percent.

5157

CSO: 3542/145

EEC GRANTS NONREIMBURSIBLE FINANCING

Lisbon DIARIO DE NOTICIAS in Portuguese 28 May 83 p 3

[Text] Nonreimbursible financing has been granted to Portugal by the EEC, with the requirement that the country channel the approximately 405,000 contos made available to it into 11 industrial complexes in the northern and central parts of the country and Alentejo, and to a farm project in Ribatejo. The document granting this aid was signed yesterday in Brussels, but the announcement of it was made by the EEC office in Lisbon.

This European aid is a part of the aid agreement preliminary to membership and is designed to promote balanced regional development through the creation of conditions favorable to the establishment of small and average industries and economic activities providing alternatives to agriculture in the interior of the country, such as to settle population in these areas. This was noted by the EEC office in Lisbon in its description of the financing.

The industrial complexes will be established in the northern region (Chaves, Vila Real, Braganca, Torre de Moncorvo and Pacos de Ferreira), the central region (Guarda, Coimbra, Taveiro, Coimbra-Condeixa and Viseu) and in Alentejo (Portalegre and Vila Vicosa). The projects will include street layout, water supply, basic sanitation and the distribution of electricity. About 338,000 contos will be allocated for these projects, and the work will be carried out by letting local bids (with the exception of the distribution of electricity) under the responsibility of the municipal chambers.

5157

CSO: 3542/145

CLARITY, CONSISTENCY ON FINANCIAL SITUATION URGED

Lisbon DIARIO DE NO^{VA} CIAS in Portuguese 30 May 83 p 2

[Editorial: "Gold and the Foreign Debt"]

[Text] Almost every year, as spring begins, the Portuguese authorities have to have recourse to the international financial market in search of loans, generally medium-term in length, to cover budget deficits. It has been estimated that the need for such credit in 1983 will come to a total of \$600 million (about 60 million contos). In this connection, a first loan of \$400 million (about 40 million contos) has just been negotiated with a consortium of large banks.

The conditions for access to the financial market are not at present very favorable, given the burgeoning foreign indebtedness of the Third World countries. On the other hand, a government like that of Balsemao, which has survived with a peculiar status--at least in the pragmatic view of the international bankers, who do not like political uncertainties at all, can hardly be in a good position to negotiate the loans we need. And so it is that, apart from the fact that we will have to pay a higher price, the agreement with this banking syndicate has been delayed.

As a result the Bank of Portugal found itself forced to undertake a "swap" (exchange, literally, although it does not have that exact meaning here) operation with the International Payments Bank in March, in the amount of \$300 million (30 million contos), and requiring the deposit of 34 tons of gold, in order to avoid a treasury collapse. This type of operation is always carried out on a short-term basis (30, 60 or 90 days), and the use of gold or a strong currency is the usual practice. If, for example, the country needed rands and had dollars available, it could use them, if it did not want to sell or trade them, in an identical operation. It would recover them when the loan is liquidated under the terms of the contract.

A new "swap" operation is in progress, involving \$300 million in this case, and some further tons of our gold reserves. The Bank of Portugal says, in a statement released in this connection, that these loans will be sufficient to "cover the period until access to the financial market becomes possible again and the government activities of the country are normalized, the condition which to a great extent governs the regularization of short-term financial activity on the exchange level." This explanation somewhat contradicts the pessimism voiced by Minister of State for the Treasury Walter Marques, who

has termed the financial situation of the country "dramatic" and admitted that the sale of gold is inevitable if a new government is not formed speedily.

Certainly there can be no justification for alarmism or speculation, which in the view of the Bank of Portugal "can only contribute to the unjustifiable worsening of our image on the international market." It is also agreed, as Joao Salgueiro insisted, that public debate on these matters is not useful. Only the fact is that all of this began to be clear some time ago, above all because of the increasing size of the short-term foreign debt, while the authorities did not seem excessively concerned. Moreover, one cannot understand why such contradictory statements as those we have heard from official bodies are made, since they inevitably create confusion. After all, why conceal the truth?

5157

CSO: 3542/145

CANCELLATION OF FORD AUTO PROJECT HURTS ECONOMY

Lisbon EXPRESSO in Portuguese 4 Jun 83 pp 1, 24

[Excerpts] After 4 years of negotiations with the Portuguese government, Ford informed the press yesterday of its decision to cancel the plans for building a plant in Sines.

The arguments set forth have to do with the recession affecting the automotive vehicles market in Europe, and the American multinational company made a point of stressing that "the decision made now has nothing to do with the conditions offered by Portugal."

And thus the tale of what would have been the largest foreign investment obtained by Portugal comes to an end, or is at least suspended. The effects this project would have on the balance of payments, the creation of jobs and making the Sines infrastructures more profitable have inevitably been the subject of statements by members of various governments on many occasions.

A total investment of about \$900 million (about 90 million contos), and the creation of 6 million direct jobs and an equal number of others in industries and services which would have served the project were at stake. The goal was the production of 200,000 cars annually for export, which would have meant the shipment of 1,000 vehicles per day from our ports and would have made Ford the leading Portuguese exporter.

If indeed it has been expected for some time in circles familiar with the negotiations, the decision by Ford now seems justified by a crisis which the enterprise says has made itself felt since 1980, and which has hung over the project as a threat ever since the negotiations began.

Ford's Explanation

Specifically, Ford abandoned its project on the basis of three factors: the decline in demand for automotive vehicles in Europe, as compared to the projections initially drafted in 1979, when the studies for the Ford project in Sines began, and the need to reduce costs and to deal with Japanese competition. This makes an improvement in productivity at the Ford plant already established in Europe necessary, and some of the European plants of this company are working below capacity.

Ford says that "the Sines project represented an excellent investment opportunity which it was very difficult to abandon." For Portugal, a last ray of hope remains: "If it were to become necessary to build a new plant in Europe in the future, Portugal (and Sines in particular) should be considered as a strong candidate," one of the high officials of the company in our country has said.

Thus a long process during which the North American international company did in fact nurture great hopes on the part of various Portuguese governments has come to an end.

The Sines complex will not in the end be able to harvest what it sowed in its 10 years of life, and it will continue to be difficult to make the seeds it so ambitiously planted grow.

Portugal will not be able, as it had hoped, to benefit from the direct and indirect impact of its largest foreign investment ever, now frustrated.

5157

CSO: 3542/145

PALME SUGGESTS HE WILL NOT ASK FOR PLEBISCITE ON FUND

Pledge to Push Fund Scheme

Stockholm SVENSKA DAGBLADET in Swedish 31 May 83 p 2

[Editorial: "The Fund Decree"]

[Text] Next December at the latest the Social Democrats will force through a prepared wage-earner fund bill. This word was given by Kjell-Olof Feldt in answer to a question by Conservative Party leader Ulf Adelsohn on Monday. The outstretched hand is now being changed into a clenched fist. Openness for others' viewpoints must move over for the arrogance of power.

The finance minister's announcement of the timing plan for a decision on the wage-earner fund means just that. A decision by the fall Riksdag assumes that the entire government's utmost resources are being mobilized in order ruthlessly to push the fund decision through. There will be absolutely no room for listening to objections or party viewpoints.

The Swedish people are against the funds. If the funds are put through, it must therefore be done without consideration of any kind. There will be no time for debate. That would undermine the possibilities to put through the funds. Public opinion would be mobilized.

The government, however, is not going to admit that they are carrying out socialism by decree, which lies on the fringe of constitutionality. They are going to continue to speak about unity and openness for viewpoints from different parties. They are going to continue dealing in falsehoods, which is becoming an ever more frequent characteristic of the Palme Government's policies.

A Riksdag decision in the fall assumes a government bill by mid-November at the latest, which will be preceded by investigation, circulation for consideration by the agencies concerned, deliberation and bill procedures.

It is a question of qualified cheating to represent this process as other than an attempt to force through a decree by formal democratic procedure.

The strongest objection to socialism is obviously not in the way it is accomplished. Nevertheless Kjell-Olof Feldt's message to the Riksdag yesterday says that a new phase is being introduced in the wage-earner fund debate which has gone on for the past 8 years.

The Social Democrats managed through the election campaign to hide the fund ideas behind talk of unity. Feldt now shows that it will be funds, not unity.

Hundreds of thousands of voters have reason to feel that they have been cheated. They voted for the Social Democrats despite the fund issue. They trusted Olof Palme's message about openness, consideration and discussion.

Eight years of investigation have resulted in all the proposals for wage-earner funds being torn asunder by all available experts. Nevertheless, the finance minister is now saying that the socialism of the wage-earner funds will be pushed through within a few months. He does not know what that is going to look like, what concrete effects it will cause, or how it will affect the nation's economy. The important thing is to advance socialism. The movement requires it.

The question of the wage-earner funds will be finally decided during the coming months. No one can any longer hope for the Social Democrats' wisdom and broad unity. Kjell-Olof Feldt made that very clear in the Riksdag yesterday.

Poll: Most Support From Low-Income Groups

Stockholm SVENSKA DAGBLADET in Swedish 2 Jun 83 p 11

[Article: "IMU Poll Shows Interest in Funds Growing in Low-Income Groups"]

[Text] Interest in collectively owned wage-earner funds has grown among those who earn less than 7,000 kronor per month.

Adherents of the fund have also increased within the socialist bloc, while opponents have increased among the nonsocialist voters.

This was shown by an IMU [Market Investigating Institute] poll conducted at the request of stockholders. There were 1,028 persons participating in the poll. The statistical loss of information through dropout cases is 28 percent. Interviews were conducted in April.

In November 19 percent of the low-income people preferred wage-earner funds which were collectively owned, but in April 26 percent of those who earn less than 80,000 kronor per year want collective wage-earner funds.

In previous polls stockholders have showed that a remarkable share of Social Democratic voters do not want wage-earner funds. This time, however, it can be seen that within the socialist bloc the group which prefers the wage-earner funds increased from 49 percent. Within the nonsocialist bloc the opponents have increased, an increase from 72 percent to 76 percent against the funds.

Opposition Against the Union

Stockholders emphasize that IMU's poll shows how opponents of the wage-earner funds have grown. In the spring of 1980, 66 percent wanted individual ownership, while 77 percent wanted that in April 1983. The question was:

"If the employees had larger ownership in companies, do you believe that should happen through individual employees getting their own stock, or shares in the company where they work, or by the labor union movement getting stock or shares in the company?"

The poll shows increased opposition against the unions. In the spring of 1980 30 percent considered that the unions had too much power, and in April 1983 44 percent thought so, according to IMU.

Paper Criticizes Proposal, Preparation Tactics

Stockholm SVENSKA DAGBLADET in Swedish 4 Jun 83 p 2

[Editorial by Mats Svegfors: "Toward the Funds Through Chaos"]

[Text] With calm confidence, the government is moving toward a purely catastrophic management of the funds question.

Kjell-Olof Feldt has precisely laid out the time plan for the continued work with the wage-earner funds. According to this, the Riksdag decision will be made during the fall session. It must of necessity be a time plan for preparatory work wherein everything--circulation for consideration, deliberation and bill writing--is subordinated to the goal of moving ahead on time.

Above all there are three components which will go into the fund proposal.

1. There must be rules stating how the division of profits will take place.

The recommendation for such rules--taken from Per-Olof Edin's profit-sharing committee--are now being circulated for consideration. Consideration time runs out 10 August. The consideration body has already been heard from, and has requested more time. Sweden is literally closed for the summer. Already this has caused squeaky wheels in the machinery.

2. There must be further rules saying how the money in the funds will be invested.

Recommendations for that will be forthcoming from the so-called investment committee, under National Bank Director Bengt Dennis. As recently as the other day the finance ministry thought that Dennis would be finished earlier than called for in his directive.

According to his own information that is not the case. According to him the investment proposal will go out for consideration at the earliest toward the end of August. In other words, more squeaks in the machinery.

3. Finally there must be rules which state how the funds are to be organized.

Again it is Per-Olof Edin who is investigating, but on this matter without any special committee. About a month ago investigating work had barely started. Today it is said that it will be finished in about a month, meaning sometime after the vacation period. Certainly it will go out for consideration then. In practice, however, July and half of August are lost as time for circulation for consideration.

At the end of August the replies from consideration of the profit-sharing proposal will just be coming in. At the same time the investment and organization proposals will have just been sent out for consideration.

This is the situation when 10 weeks remain until the bill must be placed on the table in the Riksdag.

The consideration time for a bill, in usual cases, must be at least 3 months, meaning 2 weeks more than the government is going to have for the entire preparatory work. Besides circulation for consideration, the government handles the deliberations with the opposition parties, wage-earners and businessmen, which Kjell-Olof Feldt promised. Thereafter an extensive preparatory work will be carried out, and the Law Council will scrutinize the government bill.

The preparatory procedure, which even for small bills usually takes at least 6 months, the government will rush through in 10 weeks. Talk about chaotic planning.

The time plan is not going to be kept. However, that will not prevent the entire preparatory procedure from being marked by the compressed time schedule.

What does that mean?

In the first place the time will not permit consideration of other than technical and marginal objections from the considering agencies.

In the second place the promised deliberations can not be other than formal. If the objections are to be considered seriously, time must be given to work over the bill. That time largely does not exist.

In the third place the main question within the movement, who will vote in the monster fund, remains unanswered. This question is not being considered by anyone in the Government House today. Furthermore there is nobody thinking about when it should be considered. The work is entirely directed at giving the different managers of Labor Party funds a new first cousin.

Two questions remain open before the fall decision:

The decision of the congress was based on financing via a fee based on wages. Most have thought that the question was to be decided in the future. But it is not. The wage fee can be included at the beginning.

The other open question concerns how the bill will be guided through the Riksdag. The government has generally not thought about anything other than whether the VPK [Left-Party Communists] will support the bill. But the VPK is doing that.

The wage-earner funds concern socialism. So VPK is on its home territory, and consequently has opinions on the matter. The Social Democrats will certainly learn that out in the unions as well as in the Riksdag.

Despite the press of time and uncertainty about the next steps, one fact remains entirely clear.

The government is fully determined to bring in the wage-earner funds at the beginning of next year. According to the profit-sharing proposal, these funds are going to be on the order of two billion kronor each year.

The government is therefore in the process of bringing in the wage-earner funds much earlier than expected, which in their socializing effect are fully in the same class as the funds which were discussed during the election campaign.

Palme: Voters Have Already Approved

Stockholm DAGENS NYHETER in Swedish 13 Jun 83 p 6

[Article by Sven Thiessen: "Olof Palme Says the People Have Already Said Yes to the Funds"]

[Text] "The democratic process should put people closer than it does today. Therefore the government has decided to add two large investigations, a parliamentary democracy committee and a municipal-national committee.

"The main tasks will be to decentralize the right of decision from the state to the municipalities and county councils, and remove the detailed regulating which makes their work more difficult."

This was said by Prime Minister Olof Palme in an interview with TIDNINGARNAS TELEGRAMBYRA, with democracy as the overall theme.

During the two most recent decades, thousands of municipal representatives have disappeared since the number of municipalities has been reduced by a couple of thousand.

The prime minister said, "Reorganization has meant a large loss for municipal democracy. The gain was that we got more powerful municipalities--the previous ones were too small, and without the municipal reforms they could not manage schools, health care, etc."

The Funds

"Is it democratic to introduce the wage-earner funds if there is reason to believe that a large part of Swedes do not want such funds?"

"The question was submitted to the voters in an election, and it is going to be submitted to the voters in many coming elections. This is how the representative system of government functions. We can never allow ourselves to be governed by opinion polls. It is the election which governs."

"Can you imagine an advisory or decisive referendum on the funds to broaden the democratic foundation for a decision?"

"It was said by our opponents in 1982 that the election was a referendum for or against the funds, and we won that election. According to the opponents' definition, therefore, the referendum has already been held."

"Referenda can not be used to break apart the parliamentary system but can, on individual occasions, be an expedient. Referenda about ATP, right-hand traffic and nuclear power were reasonable. This instrument is available with the condition that it should be used sparingly."

"Is collective association with the Social Democratic Party democratic, considering that it can include people who are not Social Democrats?"

"It is obviously democratic, since the decision happens through democratic process with right of dissent. But right now we are attempting to make some changes to improve the system."

"Do you have the feeling that collective association is not entirely democratic?"

"No, but there is a criticism against it, that one can try to take into consideration in different ways. We decided at the last party congress that we would try different variations. Later there will be an appraisal of the efforts."

"Have you ever thought that the powerful labor organizations in Sweden could be a threat to democracy?"

"Not as long as they are controlled by their members and work openly. The existing private power concentrations within economic life can, on the other hand, be dangerous for democracy. We have a few which own each other and decide most things--with very little oversight and not influenced from outside."

The Monarchy

"Can Sweden be considered a thorough democracy as long as we have a royal house with special privileges?"

"It is clear that it is difficult to justify that an officeholder is appointed through inheritance. But since the officeholder only has representational duties, it can be defended."

"Do you believe that communist dictatorships are historical parentheses which can leave room for democratic regimes?"

"That is one of the really great questions of the future, how the transition will happen from communism to democracy. Sooner or later it will happen, I am convinced of that."

"Dictators always bear the seeds of their own destruction within them. It can take a long time, but sooner or later the people turn against dictators. One actual case is Chile. Five years ago Chile of the Right was regarded as a parade model of a successful coup with a flourishing economy in the spirit of the Chicago school. Today the country's problems are enormous."

Paper Disputes Palme on Fund Support

Stockholm DAGENS NYHETER in Swedish 14 Jun 83 p 2

[Editorial by Nils-Eric Sandberg: "Put the Funds to a Vote"]

[Text] Will we have a referendum on the wage-earner funds? Olof Palme got that question in Sunday's interview with TIDNINGARNAS TELEGRAMBYRA, and this is what he answered:

"The question was submitted to the voters in an election, and it will be submitted to the voters in many coming elections... It was said by our opponents

in 1982 that the election was a referendum for or against the funds, and we won that election. According to the opponents' definition, therefore, the referendum has already been held."

Really? The question really is whether that was also the voters' definition.

Some nonsocialist politicians have said, reasonably, that the question of a referendum should be decided by that formulation.

According to Olof Palme's thesis, the voters have already said yes to the idea of wage-earner funds. The demand for such funds has been pressed mostly by LO[Federation of Trade Unions], and also by the Social Democratic Party. The LO did not formally participate in the Riksdag election. The Social Democrats certainly respond to the support of the communists, but in the election they received 45.9 percent of the votes, and 166 of 349 seats.

The decisive thing is that the Social Democrats did not go into the election just on the funds. On the contrary. Socialization of businesses through collective funds was only seen as a subordinate issue in the election. The party's election campaign was mainly a criticism against the nonsocialist government's savings and economy recommendations. The four campaign promises involved large benefits to pensioners, health and unemployment insurance, and the building of day-care centers. The Social Democrats won the election by promising larger contributions to large groups, without mentioning which other groups would have to pay.

Besides there were no concrete recommendations which the voters could take a position on. Certainly a working group from LO and the party made a fifth and sixth version of Meidner's basic outline from 1975. But according to what the party leadership guaranteed daily during the election campaign, the only thing the party tied itself to was the four "principles," which were so vaguely formulated that they could be interpreted in any way.

How could the voters of 1982 take a position on the proposal which the government (if it can find the time) will present in the fall of 1983?

A Riksdag election seldom gives a strong indication of opinions on a single question, for the simple reason that the voters are offered complete packages by all parties.

And the voters must approve of the entire package. The election outcome will hardly be a majority yes on a special question, but rather an expression of the marginal voters' mistrust of the losing side.

This is an argument for the voters having a chance to say yes or no to the collective funds in a separate referendum. Because the so-called "fund question" deals with the technical forms of "profit sharing." The funda-

mental idea behind all the fund ideas, from 1975 and before, is a socialization of major companies via collective funds dominated by union organizations. This means a change of the economic system, and thereby of the conditions for the political system.

Palme interprets the election result as a yes to the collective funds. Behind the government stands 45.9 percent Social Democrats plus 5.6 percent communists, amounting to a majority of 51.5 percent. If the government with the help of the communists can put through a fund system in the Riksdag, that means that it is starting a change in our economic system against the will of almost half of the population.

There is a longstanding international debate on the risk of aggression by the majority against the minority in the parliamentary system. One of the best known names in the debate is the Swedish radical economist Knut Wicksell. Today's Social Democratic Party leadership appears to be entirely unaffected by that debate.

Poll Shows Only Seventeen Percent Support

Stockholm DAGENS NYHETER in Swedish 15 Jun 83 p 2

[Editorial by Nils-Eric Sandberg: "Who Wants the Funds"]

[Text] Did the Social Democrats receive the mandate of the voters in 1982 to bring in the wage-earner funds?

"Yes," says Olof Palme, according to Sunday's interview with TIDNINGARNAS TELEGRAMBYRA.

"No," say 73 percent of those questioned by SIFO [Swedish Institute for Public Opinion Research] in an opinion poll. Only 17 percent answered "yes" while 11 percent said "don't know."

If this poll is reliable, a large majority of the voters have not interpreted the result of the election in the same way as Palme. And on the question of which interpretation is correct, the voters' word must be decisive; only they know exactly why they voted as they did.

One reservation: Opinion polls must be interpreted with care. They only show how those questioned answered, not how they understood the question. There is a margin for misunderstanding here which certainly is broader than the margin for statistical error.

Still, the opinion polls on the attitudes toward the wage-earner funds should certainly be taken seriously. There are sufficiently many polls and they give sufficiently significant results. A long series of polls since 1975 show that the majority against the funds is a growing trend. According

to this latest poll (April 83), 77 percent want private ownership of stock in the companies, 8 percent prefer union ownership.

"We can never let ourselves be controlled by opinion polls, it is the election which counts," explained Palme in the TIDNINGARNAS TELEGRAMBYRA interview. Naturally. But these polls are at least a sign that the opinions on this matter do not follow party lines. And that is a good reason for the government to ask the citizens directly about the issue, in an advisory referendum.

Further: A political party must create opinion for its proposals. It is therefore natural that the politicians move several years ahead of opinion. But some time opinion must catch up with the politicians if they are to have that "broad unity" which the government promised about the wage-earner funds.

In the long term, which is the most important from the standpoint of principle: A majority among the citizens or a majority at the party congress?

9287

CSO: 3650/217

PAPER DOUBTS GOVERNMENT FORECAST OF FOUR-PERCENT INFLATION

Stockholm DAGENS NYHETER in Swedish 11 Jun 83 p 2

[Editorial by Nils-Eric Sandberg: "Four Percent?"]

[Text] In its budget proposal, the government says that the inflation rate must be forced down to 4 percent in 1984: that is quite simply a necessary (although not adequate) condition if the devaluation policy is to work. The 4-percent goal will halt the expectations of high inflation which help to keep inflation up. But that in turn implies expectations of specific and effective measures that will actually force the inflation rate down. But the budget proposal contains next to nothing in the way of such specific measures.

Bengt Dennis, governor of the Bank of Sweden, indirectly criticized the government on that point in a speech delivered on Thursday. It will be possible, "without a doubt," to bring inflation down to 4 percent next year, but halting expectations of inflation will "require very vigorous intervention in the area of economic policy to reverse the trend," explained Dennis. The government must therefore "create confidence in its policy quickly and effectively."

Quite true. But what specific measures does Bengt Dennis himself propose in support of his criticism of the budget proposal's lack of specific measures?

Almost none. He merely points out that the government's index ceiling of 4 percent should apply to a greater share of government spending.

Is that enough?

According to the revised budget proposal, the index ceiling will apply to about one-fourth of the government's spending. According to Olof Palme's clarification, the national basic pension system will be exempted, and that brings it down to only one-fifth. What this means specifically is a savings of about 15 billion kronor if inflation were to be 10 percent instead of 4 percent. And the unchanged budget deficit of about 95 billion kronor already means that government spending (and the deficit) will increase next year by the approximately 10 billion kronor that those 95 billion will cost in interest.

The government is now issuing government bonds at 12-percent interest. Does this indicate that the government itself thinks there will be 4-percent inflation and a real interest rate of 8 percent in 1984?

PAPER DISCUSSES EMPLOYERS' GROUP REPORT ON ECONOMY

Stockholm DAGENS NYHETER in Swedish 11 Jun 83 p 2

[Editorial by Nils-Eric Sandberg: "A Happy New Year in 1984?"]

[Text] Economists for the TCO [Central Organization of Salaried Employees] believe that 1984 will be a good year for the Swedish economy. Thanks to the devaluation and the changing tide in the market, exports will increase by 7 percent and inflation will be moderate. That leads the TCO's economists to promise a 3-percent increase in real wages.

Economists for the SAF [Swedish Employers' Confederation], headed by Ulf Jakobsson, have conducted a much more thorough and therefore less hopeful analysis. In a scenario based on the assumption that the economic policy will not change except for the devaluation, they expect the volume of exports to rise by only 2.6 percent per year between 1983 and 1986. This is chiefly because higher taxes and employer social security contributions will force up the firms' relative costs. Neither the current-balance deficit nor the budget deficit will be reduced as a percentage of GNP.

Economic forecasts that are precise right down to the decimal are seldom worth the credulous high esteem with which they are usually received. We are still poorly informed concerning the future, and that is all there is to it. A more interesting subject, as one example, would be the conditions in the economy for a reliable increase in exports and real wages. And the Swedish economy's structural problems have been thoroughly analyzed in several reports that are good sources of pessimism concerning the future. Examples are the Bjurel Report, the adjusted Long-Term Survey, and the latest analyses by the Economic Expert Group of the SNS [Industrial Council for Social and Economic Studies].

In the same style, but on a smaller scale, the SAF's economists discuss a few structural hindrances to rapid industrial growth: excessively low profitability, the rigid wage structure, uncertainty concerning the political rules of the game, and public spending, which forces up both the inflation rate and taxes and industry's relative costs along with them.

The government chose the easiest way out by devaluing. According to the economic strategy, the devaluation is supposed to make industry so competitive that exports will rise sharply and eventually lead to investments that will

generate employment, incomes, and tax revenues. And then the deficit will begin to grow smaller.

If only it were that simple.

First of all, what everyone is ignoring is the fact that the famous "gain from devaluation" represents a gain only for the export firms when they convert their revenues into Swedish kronor. For the economy as a whole, the devaluation represents a loss to begin with, because a given quantity of exports finances fewer imports than before.

In addition, the SAF report shows that industry's relative costs per unit produced (the ULC) have been following a rising trend for a long time. They have fallen temporarily from time to time, but only as a result of devaluations. If that is true, it leads to a depressing conclusion: either we must break that trend and maintain the same pace in productivity and costs as competing countries do, or we must continue to devalue.

Our balance on current account now has a deficit of just over 20 billion kronor. It will be more when the amortization of foreign loans goes up in 1986. Achieving equilibrium in the current balance requires that we increase our exports by nearly 40 billion kronor--that is, by about 20 percent. Industry cannot manage that, and the reason--which the TCO's economists ignore and the SAF's economists downplay--is that over the past few years, the crises and prices in the world market have made a good deal of Sweden's industrial capital obsolete. And it must be replaced. The profitable sector of industry is already too small for our current consumption. This means that a large share of the increase in production--if any--must be earmarked for investment (meaning sizable imports of machinery and input goods).

The TCO's economists are overlooking the economic realities, and that is why they see room for increases in real wages. A turn toward balance in the economy requires a drop in real wages.

The need to transfer resources from old industries and firms to new ones is greater than ever. At the same time, the obstacles to such flexibility are also greater than before. The absurd tax rates effectively strangle any incentive to transfer resources, save, and establish new businesses. And the budget deficit makes it impossible to reduce taxes without reducing government spending, and the government is plainly incapable of reducing its spending.

There lies the foundation bolt in the Swedish economy.

11798

CSO: 3650/211

STATISTICS INDICATE 'REAL UNEMPLOYMENT' AT TWELVE PERCENT

Stockholm DAGENS NYHETER in Swedish 10 Jun 83 p 10

[Article by Clas Barkman]

[Text] Over 12 percent of the working-age population--524,000 persons--cannot find a job on the open labor market.

Just over 3 percent are completely unemployed, just under 2 percent are in disguised unemployment, and just over 3 percent are partially unemployed. The remainder, or about 4 percent, are participating in various job programs such as relief work and so on.

The above figures are based on statistics released on Thursday by the SCB [Central Bureau of Statistics] and the AMS (National Labor Market Board).

Just as in the past, it is the young people who are worst off. The number of unemployed young people (under 25 years of age) totaled 39,000, or 6 percent of all young people, in May of this year. The figure last year was 35,000, or 5.4 percent.

Not only has the number of unemployed increased in comparison with last year, but in many cases the jobless have also been unemployed longer. Of the 135,000 without jobs in May, 73,000 had been unemployed for over 3 months. The corresponding figure last year was 58,000.

In May, 3.3 percent of the men and 2.9 percent of the women were unemployed, compared to 2.8 percent and 2.6 percent respectively last year.

Forestry Counties

Unemployment is especially high in the forestry counties, where 4.4 percent were completely unemployed in May of this year, compared to 2.6 percent in the counties with big cities.

In May, 171,000 people were employed in various job programs. Compared to the same period last year, that reflects an increase of just under 20,000. In comparison with April of this year, however, there were 14,000 fewer employed in relief work, involved in labor market training, and so on.

The number of new job openings reported in May was 52,100, or 2,000 less than in April.

The number of persons receiving termination notices in May was 3,900. That is about the same as last year.

Classification	May 1982	May 1983
Completely unemployed	116,000	135,000
In job programs (relief work and so on)	151,700	171,000
Disguised unemployment	39,000	52,000
Disguised unemployment, unable for various reasons to look for work	28,000	31,000
Partially unemployed	114,000	135,000
Total unemployed unable to find a job on the open labor market	448,700	524,000
Total number employed	4,220,000	4,210,000
Total labor force	4,330,000	4,350,000

"Must Make Effort for Immigrants"

If we do not want to create a new proletariat with our eyes open, we must make an effort on behalf of young immigrants.

So said Anita Gradin, minister of immigration, during a visit to the municipality of Haninge outside Stockholm on Wednesday.

During the first quarter of this year, the unemployment rate among foreign citizens between 16 and 19 years of age was 17.2 percent, compared to 9.2 percent for the entire population in the same age group.

She emphasized: "We have the same responsibility for young immigrants that we have for young people who were born here."

Big Need for AMS Jobs

Minister of Labor Anna-Greta Leijon says: "The unemployment figures show continuing high unemployment. This means that the need for labor market training, relief work, and other measures will continue at a high level.

"For practical reasons, such activity cannot be equally extensive throughout the year. There has been a seasonal cutback in comparison with April. Compared to last year, however, 19,000 more people are involved in labor market training and other special programs.

"A positive sign in the labor market is the fact that employment in the manufacturing industry is recovering."

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CSO: 3650/211

WELL-KNOWN SDP RADICAL LISE ØSTERGAARD QUITTING FOLKETING

Copenhagen BERLINGSKE TIDENDE in Danish 10 Jun 83 p 10

[Article by Lisbeth Knudsen: "Lise Østergaard Out of Folketing"]

[Text] Former Social Democrat Culture Minister Lise Østergaard is leaving the Folketing at the next election.

Lise Østergaard, who has also been minister for developing countries affairs, has been invited by Copenhagen University to return to her former job as professor of clinical psychology. At the same time it will be her job to investigate the possibilities for a completely new superstructure for humanities instruction for students who wish to devote their time to the field of developing countries.

"I have now had 6 1/2 years in politics and that is some time when you, as I, have have been sort of invited into it. I reached a point where I had to make a choice. Work on developing countries has occupied me most, politically speaking. In the winter I worked as a consultant for the UN organization WHO, on a report on women, health and development. I could well have remained in the Folketing but then I would have had to scatter myself a great deal in order to get everything done," Lise Østergaard tells BERLINGSKE TIDENDE.

The first time around Lise Østergaard said no to returning to Copenhagen University after the change in government, in order not create the impression that she would only sit in the Folketing as a minister. When the university opened the opportunity for work on supplementing some of the many economists in developing country work with people with humanities training by means of a new superstructure, however, she said yes to returning.

To begin with Lise Østergaard was named as minister without portfolio with special reference to developing countries by then Prime Minister Anker Jørgensen, to the great surprise of many, not least in the Social Democratic Party. Later she became culture minister and was elected to the Folketing from the Gladsaxe district. Even though she is now withdrawing from the Folketing she has asked Anker Jørgensen to continue to be able to sit on the party's foreign affairs committee and immigration committee. The Gladsaxe district will come to a decision first during the summer as to a successor for Lise Østergaard as a candidate for the Folketing.

INFLUENCE OF COMMUNIST PARTY IN PEACE MOVEMENT

Bonn RHEINISCHER MERKUR/CHRIST UND WELT in German 13 May 83 p 5

[Article by Juergen Wahl: "Zig-Zagging With Lenin"]

[Text] The little DKP has big worries. The faithful Communist force in the Moscow mold is afraid of the influence of the militant wing of the "peace movement" and it is abiding by Lenin's warning against "the wrong tactics at the wrong time." For weeks a struggle has been moving back and forth among the Communists of the DKP, other communists and anarchist groups. The topic is the "hot-rocket-fall," which is planned for "Bonn" in October, and the actions leading up to it.

The public rarely notices anything of these battles of strategy of the disunited left. Minister of the Interior Friedrich Zimmermann and his "parliamentary secretary" Carl-Dieter Spranger issue warnings about the great influence of the DKP-controlled popular front in the "peace camp." They said there is solid proof that the apparatus for the fall action "is 75-percent in the hands of the DKP." A few Social Democrats and trade unionists call those issuing the warnings hysterical. Walter Jens--as he has so often--groans about dangers from the "right"--not from the left. During the second East-West Writers' Talks in Berlin, an author (West) proudly informed his colleagues from the GDR in April that the idea held by those governing in Bonn that a party such as the DKP, with only 0.5 percent of the vote, had the army of protesters against NATO policy under its control was ridiculous.

Zimmermann's and Spranger's opponents are blind to facts and, on their own left, confuse quantity with quality. The reproaches levelled by non-party-affiliated radical left-wingers at orthodox communists and their numerous auxiliary organizations at meetings of the "movement" make Spranger's words of warning sound like gentle murmurings. No finger is raised there, the fist threatens.

The "Movement" Needs Unity and An Echo in the Media

It began--externally--with an argument about the character of this year's Easter marches. On one side stood the DKP and the "Kofaz spectrum" loyal to it. The abbreviation stands for "Committee for Peace, Disarmament and Cooperation," located in Cologne, responsible for the "Krefeld Appeal," represented by a few prominent non-aligned figures and directed by tested grey DKP functionaries. The "Krefelders," as the radical left-wing TAGESZEITUNG said abusively at the end of March, were always "afraid of violence."

DKP activists warn the "movement" against thoughtlessness. Thinking of Lenin, they constantly demand forms of protest which do not irritate the masses through violence and revolt.

Grass-roots groups with anarchist characteristics and some of the Greens are pushing for "blockades" or dream of being able to stop supply trains for the Western allies on German soil. In this situation, the GDR and the DKP, as its extended arm, are concerned about one thing: The unity of the "peace movement." If it were to split into moderate "Krefelders" and independent left-wingers intent on a blockade, this would necessarily result in disadvantages in the mass media, in the view of the DKP functionaries in "Kofaz": In 1983, television gave broader coverage than ever before to the Easter marches. Following the involvement of the SPD and numerous representatives of the DGB [German Labor Union Federation] in the marches, the old DKP influence was regarded as a negligible factor from the point of view of many German broadcasting stations.

This is not the case with the left-wing radicals, shocked by the maneuvers of the DKP. They claim that the spread of the movement against NATO is strengthening the influence of the DKP. Their analysis was transformed into deeds in the preliminaries to the general discussion in Cologne about the "peace movement's" plan for a demonstration in mid-April. The TAGESZEITUNG entreated the radical left to come to this "Third Peace Movement Action Conference" with as many people as possible. There was the threat of an attempt by the majority to replace decentralized actions against the military and its bases with a new mass demonstration in Bonn. This majority is defined as the DKP, the German Society for Peace-United Opponents of the Draft (DFG-VK), Alliance of Citizens' Initiatives for Protection of the Environment (BBU), Action for a Sign of Reconciliation and "SPD-interests" (TAGESZEITUNG, 14 April 1983, p 7). The first public warning is also given of a "Bonn round table" of peace movement functionaries, who would "tie down" decisions before every plenary session. Those referred to are a trio consisting of "Kofaz," BBU and the student alliance VDS [Verbund Deutscher Studenten], which is dominated by the popular front.

In Cologne, the "moderate" line, and in it the DKP, was able to prevail in spite of those giving the warnings. The result was an undivided outcry in left-wing "scene" newspapers. The TAGESZEITUNG on 19 April 1983: ". . . in Cologne the adherents of one spectrum were in the majority, who are in a minority in the peace movement in the country." The blocking of nuclear installations had failed because of people who "are always checking in Lenin's works," complained grass-roots groups in Hesse. Again the TAGESZEITUNG: "The old communist-social democratic strategy has no prescription for the change of power that accompanies the entry of the Green movement [into the Bundestag]. There is no passage in Lenin to combat chaotic Greens." "Kofaz" is scornfully described as "Pankow's burrs!" Spranger should have said that

In future Zimmermann's parliamentary secretary could easily include in reports for the Bundestag what disappointed left-wing radicals are saying about actual DKP influence. They are saying that the "Kofaz spectrum" first of all held too much organizational power during the Easter marches (through DFU [German Peace Union] offices and other DKP independents), secondly it "underplayed" to the media too

high numbers for those participating, and thirdly it prevented too many reports about "left-wing deviationists" who were blockading barracks.

The critics were exaggerating. For 6 months the DKP itself has allowed itself--even if unwillingly--to be drawn bit by bit into unpopular "wildcat" actions. On 12 December 1982, DKP people participated in the blockade of U.S. headquarters in Stuttgart. "Kofaz" bureau member pastor Konrad Luebbert, who is also a member of the Moscow-controlled "World Peace Council," wrote that what had to be done "legitimately" against NATO policy could "no longer always" be carried out "legally." This agrees with Lenin's advice in his pamphlet of 12 May 1920 against left-wing radicalism as a "growing pain in communism:" Only when the masses shown sympathy and consciousness, should the transition be made to the use of force. Prior to that the iron law prevails of the "broadest possible alliance" with all the forces that perceive a common enemy.

What left-wing opponents of the DKP want is disorder and uncontrollability, rejected by Lenin for Bonn-style conditions: "It is a question of not only preventing the much-exorcised 'arms buildup,' but of breaking through the arms race syndrome over the long term and ensuring the permanence of the opposition, that is, of producing partial uncontrollability through political confrontation with the rulers" (TAGESZEITUNG, 19 April 1983). A compromise had finally been reached in Cologne. The largest "demo" is to take place in Bonn again in October. That was the intent of the DKP and its allies. At the same time, "on the spot" actions against Bundeswehr posts and the Americans have appeared on the calendar.

SPD Functionaries on the Popular Front Rostrum

More deliberations will follow in May, at which the left-wing radicals want to push the "Kofaz spectrum" to take more action, but the DKP plans to upgrade the central event in Bonn. Otherwise, as some Greens have correctly perceived, the small but experienced group of DKP functionaries will be able to act far less effectively. Werner Stuermann, head of the DKP youth organization SDAJ [Socialist German Working Youth], has said that the march centered on Bonn against the Kohl government must "not be relativized" by the compromises in Cologne.

The call for the week of action in October anyway marks the limit of the concessions in formulation which the DKP groups could be prepared to make. There are warnings against the massive arms buildups in the West /and/ [word in slantlines in italics] the East, however "Kofaz" functionaries were able to prevent any mention of Soviet rockets, in the sense of the notorious "minimal consensus." Now curious eyes are turned to the Greens and the left wing of the SPD.

On 28 March 1983, the DKP had written to the new SPD Bundestag delegates, telling them how it envisions operation and cooperation. About the Greens it wrote: "We would [therefore] regard it as ominous in the extreme, if the relationship of Social Democrats and Greens in parliament were to be marked by barriers and mutual attacks instead of cooperation. This would accord with the expectations which the peace movement and other [!] social and democratic movements associate with the parliamentary activity of both parties." Once more Lenin, who warned his comrades with "growing pains" of scorning one foot in parliament, if it was only useful in

the battle on the "general line." The undogmatic left reacted with indignation to a Lenin-style attitude. "Kofaz" was staring at the Bundestag and was avoiding the struggle, the Greens were told to kindly show some restraint and follow their own path!

This leaves the SPD itself. For 20 years it opposed the Easter marches and other undertakings heavily infiltrated by communists. In 1983 it joined in, to put its stamp on the protest. The DGB went along in part. The SPD left wing has been throwing itself at the existing movement since the Bundestag elections and is creating the impression of wanting to make up in volume for everything that was held back under Helmut Schmidt. It is thinking of "Assistance for Opponents of the Arms Buildup," who, for example, CDU ministers have carried away by policemen for a fee. Former Juso leader Johanno Strasser is back and is being allowed to "coordinate" the ideas of the SPD left wing "with those of the peace movement."

What is happening in the SPD gives cheer to the DKP and strengthens it in its resolve to prevent plans for violence wherever possible. For it is written in the book on "growing pains": "The power of habit of millions and more millions is a fearful power." Gerd Greune, also one of the instigators of the "Bonn round table," wrote in the DEUTSCHE VOLKSZEITUNG, which is closely connected with the DFU, that it had been possible to save the community of the "peace movement."

It is now up to the SPD leadership to show how it differs from groups standing farther to the left, which are constantly complaining that popular front tacticians are threatening to take them over, that the "Hot-Rocket-Fall" operation is being run one-sidedly, that no discussion of those opposed to armaments in the GDR is permitted and that social democrats like Jo Leinen are trotting willingly along behind Honecker's comrades in the FRG.

Prevent the "worst?" The SPD was talking like this in the 1950's during the "Struggle Against Nuclear Death" action, which, in the view of the DKP, it betrayed. Change the "peace movement?" That would only be possible, if the SPD and uncommitted left-wingers formed an alliance against the popular-front strategists in order to campaign equally vehemently against Moscow /and/ [word in slantlines in italics] Washington. Ensure clarity together with the Greens? That means reducing their chances in upcoming Landtag elections. It is just not so easy to characterize the influence of the DKP as ridiculous and want to reach an arrangement with its products.

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CSO: 3620/363

SKDL SOCIALISTS' MOVE TOWARD SEPARATE PARTY TESTS CP UNITY

SKDL Socialists' Letter to CP

Helsinki KANSAN UUTiset in Finnish 24 May 83 p 9

[Text] The Central Committee of the Finnish Communist Party (SKP), Helsinki
Dear Comrades!

The First SKDL [Finnish People's Democratic League] Socialists' Congress has decided to turn to you through this open letter.

Both of us, the SKP and the SKDL Socialists, are in one common party, the SKDL. The importance of the SKDL in the life of the Finnish nation has been considerable. However, support for the SKDL has in recent years weakened and people's confidence in it has diminished. We SKDL Socialists bear the responsibility for this SKDL development because we feel that the SKDL has an important job to do in the building of a better future for Finnish workers and the people of Finland in general. Because of this and because we believe that the successful activities of the SKDL are also important to the SKP, we want to bring the following things to the attention of the SKP:

1. The development of the cooperative nature of the SKDL on an equal basis is more important and necessary than before for the success of the SKDL. Therefore, we must seriously rid ourselves of all those activities that constitute a widespread view of the SKDL as an auxiliary and cover organization of the SKP for preserving its own interests. Among other things, this means that those matters which clearly affect the entire SKDL should always be decided on in specifically joint decision-making bodies, not, for example, beforehand elsewhere. However, this does not, of course, mean a restriction of each partner's own independent action. Accordingly, action on behalf of the party as a whole must be conducted through SKDL organs and representatives.

2. Since we are of the opinion that a common press is very important as a transmitter of information on SKDL activities and policy and as a representative of the essence of the SKDL, we feel that it is particularly important for our common press to conform to the cooperative nature of the SKDL and in this way also take into account the activities of the Socialists in this party. Since almost all of the editors of our common press are SKP members, this places an especially great responsibility on the shoulders of precisely these

editors. We believe in their professional competence and sincerity in taking into account the cooperative nature of the SKDL, but it is important for the SKP too, as a party, to adopt an unequivocal position on this.

3. In connection with press matters, we also want to stress the fact that, while we understand what an important role press problems play in seeking solutions to the SKP's internal disputes, the common press can, nevertheless, not figure in them as any sort of trade item, nor be responsible for their development any more than it has up to now, nor jeopardize the nature of the SKDL in any way.

4. Since the SKDL is a common organization important to us all, it is obvious that we must also strive to economically protect its operational requirements in every possible way. Because of this the Socialists hope that the SKP will in all earnestness respond to the resolution concerning the party's economic arrangements adopted at the last SKDL party council meeting, among other things.

5. As for the common SKDL political line, the Socialists want to emphasize that, since the SKDL has now shifted into the opposition, the SKDL must nonetheless constantly bear in mind the great importance of the development of cooperation with the Left. So in this spirit the SKDL has, among other things, reason to pursue a relevant opposition policy.

6. And lastly, the SKDL Socialists express the hope that the SKP may as quickly as possible resolve its own internal differences, which have also damaged the whole SKDL. We also, of course, hope that the SKP's internal solutions may come about in such a way as to be able to contribute to the development of the cooperative nature of our common party, the SKDL. Obviously, it is only on the basis of the principle of equality that the SKDL Socialists can participate in the development of this common party. The foundation on which the SKDL can build a new growth for the benefit of the nation lies in building democratic cooperation and in open ideological interaction.

Fraternally yours,

The SKDL Socialists' Congress
Helsinki, 22 May 1983.

Moderate-Wing CP Organ Comments

Helsinki KANSAN UUTISET in Finnish 24 May 83 p 2

[Editorial: "Organizing of SKDL Socialists"]

[Text] At the end of the week an SKDL Socialist central organization was founded, thus concluding the separate organization of the Socialists.

In the outlines presented to the congress, the Socialists' position was described as a separate ideological tendency within the SKDL. However, the idea of founding their own party was rejected. The congress that founded the central

organization particularly emphasized the attainment of cooperative relations on an equal basis within the SKDL.

Some news media have already tried to show that the influencing of political policy evident at the Socialist founding congress is the same as that exerted by the Greens. We will very shortly see how the other SKDL partners react to the Socialists' goals.

It has often been explained — and this time too — that, in the light of historical experience, another political tendency midway between the Social Democratic Party (SDP) and the SKP is inappropriate. But history can certainly be interpreted in the opposite way as well. As early as the 1920's a sizable Left-Socialist faction was formed in Finland in addition to an underground communist party and the SDP. The elements of this tendency downheartedly survived even in the 1930's. After the wars the founding of the SKDL became necessary, specifically because a sizable Socialist and Social Democratic faction existed which felt that it could not go on within the SDP, wanting instead to cooperate with the Communists. So this is a principled tendency.

The significance of the organizing that has occurred will be assessed more clearly when we see how the other SKDL partners respond to the political challenge presented by the Socialists, how the SKP develops and what kind of cooperative relations shape up inside the SKDL in light of the new situation. The determination of what the Socialists' separate activities and what the SKDL's common effort are may in future show itself to be very necessary for the sake of the interests of the party as a whole and to ward off misconceptions.

Stalinist-Wing CP Organ Comments

Helsinki TIEDONANTAJA in Finnish 24 May 83 p 2

[Editorial: "The Socialists and Socialism"]

[Text] SKDL Socialists, in reality Social Democrats — into whose arms no one ought to drive Socialists, although they do belong there — are planning to found a party. They have been planning to do this for some 15 years now. The plan has always foundered on the small size of their support. Besides, the father of the plan, Ele Alenius, did not present his idea very convincingly, instead sowing more confusion with his own philosophizing than interest.

And now we have Kalevi Kivisto's open admission that he is a Social Democrat at heart in a situation in which there is more confusion than before in the SKDL over the paternity of the idea. So things are not going well with the Socialist Social Democrats. It is, however, to be hoped that they would succeed since, as was surmised as early as a year ago, the organizing of the Socialists into a party would clear the political atmosphere among the People's Democrats.

But now the air will not be cleared since the Socialists' annual parliament has for the time being decided not to found a party because that might perhaps reduce their representation in the SKDL leadership.

The fact that the position that was made public in many points touched on the situation in Poland is probably a very interesting thing. Not, for example, the violent steps taken by the ruling junta of El Salvador, not the brutalities of the Chilean rulers, not racial oppression by South Africa and not even Israel's imperialistic policy, but the events in Poland. Support was directed against Poland's socialist government. No big Social Democratic force in Finland can do anything like that. The worthless SDP will not even assume enough responsibility to say that it would be worthwhile considering the realities of life.

The position the Socialists occupied when they were at their height under Alenius' leadership is pertinent for the SKP. It has been told in plain language and it had better take that advice to heart or the Socialists will blow the top off things. May providence spare us that.

Soviets Support Minority Wing

Helsinki HELSINGIN SANOMAT in Finnish 4 Jun 83 p 8

[Article by Janne Virkkunen: "Central Committee Evades Party Dispute; Communists Hold Interim Meeting"]

[Text] The SKP Central Committee is to meet today at Culture House in Helsinki. For a change, the meeting will be without any big dramatic development because they do not plan to properly discuss the party's inflamed internal state of affairs.

By its very nature the Central Committee meeting is, therefore, an interim meeting on the way to a "definitive" clarification of relations which, as things look now, they will not be facing until the 20th SKP Congress next May.

The lack of any dramatic development is not, of course, due to the possibility that a certain situation within the SKP is decisively better than it was a month and a half ago when the whole party was well on the way to splitting in two. The elements of the party dispute are the same as before.

The SKP's internal dispute has centered about the Stalinist faction's organ, TIEDONANTAJA. TIEDONANTAJA is a party opposition paper and TIEDONANTAJA associations are also Stalinist shadow organizations in districts controlled by the moderates.

The SKP moderate-wing hard line, the so-called "ax line," has demanded that TIEDONANTAJA be closed down and that its parallel activities be terminated under the threat of excluding the organizations from the party.

Gathered Momentum Since Election Defeat

Last spring the hard line gathered momentum for its demands when the SKDL lost eight seats in the March parliamentary elections. The SKDL's new parliamentary delegation also split when the Stalinist representatives withdrew from the delegation in protest over the fact that Esko-Juhani Tennila was not good enough for the moderate wing as a member of the delegation.

To spite the hard line, Tennila was elected to Parliament from the Lapland election district as an independent candidate not appearing on the SKDL ticket.

The Central Committee, which last met on V.I. Lenin's birthday, the 22 April, could not enforce its resolutions because it did not have enough strength in the rebel northern district to push through the decisions, the implementation of which they had threatened for weeks.

Instead, the SKP Politburo got the job of drafting proposals to get rid of parallel activities and to decide on the press issue.

Fight in the Districts

In a way that is typical of the SKP, the preparation of these matters is incomplete and they will try to discuss the decision in August at the earliest.

But even now it seems very likely that the 20th congress is too close at hand, so tough decisions are probably still to be anticipated.

Thus the SKP's internal duel has shifted to the party's district organizations, which are getting ready for the coming party congress. With that in mind, some moderate districts — Helsinki, Lapland, Vaasa — are purging their administrative organs of Stalinists and the Stalinists — Uusimaa — are doing likewise with their mod rates.

On both sides of the front line they are trying to get people to the congress who can under no circumstances be accused of "wavering." The third line, which came into being a year ago, can now go and look for a new political home.

The congress will again elect a new Central Committee to reach decisions on party unification. Participants in the congress will be chosen by a party vote during the first half of next year.

Rug Out from Under the Rebellion

The steam is now clearly out of the hard line's demands. No one any longer maintains that the course of affairs cannot go on as it has in the SKP. First secretary Arvo Aalto does not say that either, and much less so chairman Jouko Kajanoja.

The heart of the problem is the present Central Committee. It lacks a majority that is capable of action, that could bring a minority in need of discipline back into line.

On the other hand, the rebel districts have also lost an important reason for kicking the Stalinists out. The Stalinists have returned to the parliamentary delegation, which Tennila has also gotten onto.

Since the party is in the opposition, issues that erode unity will not be raised in Parliament because the moderates will no longer have to defend government decisions.

On the contrary, the SKDL parliamentary delegation has already demanded information from the government, the purpose of which is to weld Communist opposition policy into a unified whole. The hard line is probably particularly irritated by the fact that the Stalinist leader in Parliament, Seppo Toiviainen, makes use of the SKDL delegations' floor time.

Economy Close to Liquidation

The SKP's difficulties do not, however, end with the party's internal squabble; the party is in big financial difficulties. The election defeat and the Tennila episode will cost the SKP-SKDL 9 million markkas in party subsidies during the present election term. Support for the party organ will decrease to the same extent.

Under the circumstances the chief organ of the SKP-SKDL, KANSAN UUTISET, is switching to a 6-day week and the paper's staff is being cut back. Staff is also being reduced in the SKP office and many officials expect to be laid off.

To avoid bankruptcy, the SKP has set in motion a fund-raising campaign so that members may consent to filling the empty party treasury.

Furthermore, a change in membership cards will remain in progress until the end of June. Accurate information as to how successful that is is not yet available.

The Communists, however, admit that they have just not gotten enough new people to join the party and some of the old members are getting frustrated. SKP membership now amounts to about 50,000 and the drop in membership, now rising to 1,000, affects the ranks of the moderates most.

CPSU Backs Stalinists

The fact that the CPSU has extended its support to the Stalinist wing more clearly than before and publicly, although Jouko Kajanoja is also referred to in a friendly tone, makes it difficult for the SKP to resolve its internal state of affairs through the tactics demanded by the rebel districts.

On the other hand, the hard line and first secretary Arvo Aalto were explicitly condemned by Leningrad CPSU party leader Grigoriy Romanov when, as a member of the CPSU Politburo, he dropped in at the 35th anniversary celebration of the Friendship, Cooperation and Mutual Assistance Pact in Finland in April. We must also bear in mind that the Soviet Union has eminently good opportunities to exert economic pressure on the SKP.

So far the hard line's last public operation was the Construction Workers Union Congress at which the Stalinists were purged from the union's administrative bodies.

The Communists' preparations for the Metal Workers Union elections next fall lead us to predict just the opposite development. They have been conducted in a united fashion and, if these important trade-union elections go smoothly from the Communist standpoint next fall, there may also be a development in the party toward moving in a new direction.

CP Politburo Replies to Socialists

Helsinki HELSINGIN SANOMAT in Finnish 2 Jun 83 p 9

[Text] Improvement of the SKDL will require trustworthy cooperation between the party's different factions instead of confrontation. The SKP Politburo emphasized this in its reply to an open letter addressed to it a week ago by the SKDL Socialists.

The Politburo stressed the fact that the SKP had never needed the SKDL as an auxiliary or cover organization, but that the Communists had instead always publicly stated their political objectives. In its reply it also noted that the Communists present their party's views in the SKDL organs with due respect for democratic procedures, as do the other SKDL members.

The Politburo disputed the judgment that the SKP attempts to resolve its internal problems, like the press issue, at the expense of the SKDL or in damaging the cooperative nature of that organization.

The SKDL Socialists sent the SKP an open letter following their first national conference. At that conference the need for equality between Socialists and Communists and the strengthening of the cooperative nature of the SKDL were stressed.

The SKP Politburo also took a stand on Wednesday on the Energy Tax Committee's latest report. In the opinion of the Communists, that report would "gather dust on the shelf."

CP Again Postpones Decision on Split

Helsinki HELSINGIN SANOMAT in Finnish 5 Jun 83 p 6

[Text] The SKP Central Committee has postponed making a decision on the cessation of parallel activities and resolution of the press issue for a later date. The Central Committee held a 1-day plenary session, described as an interim meeting, at Culture House in Helsinki on Saturday.

It is estimated that there will be no explicit party decisions before the party's 20th congress, to be held next spring.

On Saturday the Central Committee got a report on the party's internal state of affairs from a committee that had discussed them and which had, among other things, considered the elimination of parallel activities and the press issue. The investigation will continue.

The Central Committee last met on 22 April in the aftermath atmosphere of a stinging election defeat when, instead of the party solutions that had been predicted, the scuffling between the moderates and the Stalinists shifted to the district level. Since that meeting the SKDL parliamentary delegation has united and, to start off its opposition period, submitted questions on economic and employment policies to the Kalevi Sorsa government.

On the opinion of SKP chairman Jouko Kajanoja, who gave a political report at the plenary session, the election defeat and the party's internal situation got them to direct their attention sharply inward. "We were stewing in our own juices. It was and is inevitable."

A resolution "on the SKP's political tasks and their implementation" and the political operations plan relating to it were presented for approval at the plenary session.

To make up for the lack of burning party decisions, Kajanoja discussed the energy policy debate to be launched in the SKP. In addition, Dr of Technology Bruno Bars presented the Energy Policy Committee's review of the situation.

In his report Kajanoja wondered why the decision on a new major power plant had to be reached so quickly. Kajanoja asked whether a decision could not at least be postponed by economizing on energy, increasing natural gas imports and looking into the possibilities of buying electricity abroad.

Examination of this year's SKP budget was also on the Central Committee's list of things to be done. The SKP's economy ran into trouble to the tune of millions in party and press subsidies lost due to the party's election defeat.

Party Press Reducing Staff

Helsinki HELSINGIN SANOMAT in Finnish 6 Jun 83 p 9

[Text] The SKP is reducing its staff in the SKP press and among its officials. Meeting on Saturday, the SKP Central Committee approved resolutions that will mean reductions.

Measures to balance the party budget produced differences of opinion between the moderates and the Stalinists. The moderates won by a vote of 24 to 18 and two Central Committee members abstained.

The Central Committee discussed the Press Committee's interim report, in which the termination of the Stalinist organ, TIEDONANTAJA, in its present form is proposed. According to the interim report, it would be merged with certain Communist newspapers as a new 4-day-a-week paper.

In his speech Stalinist head man Taisto Sinisalo was satisfied with the Press Committee's plans for the SKP to found its own daily. Sinisalo also moved that KANSAN UUTISET and TIEDONANTAJA correspondents in the socialist countries get together and cooperate with one another.

The Central Committee did not discuss the party's internal division other than as concerns the press issue. Decisions will probably have to wait until the next SKP congress next spring.

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CSO: 3617/137

SOVIET AUTHOR ON FINNISH TIES HITS PRESS FOR USSR REPORTING

Helsinki UUSI SUOMI in Finnish 27 May 83 p 3

[Text] Well-known Soviet journalist Vasiliy Zaychikov claims that many unfriendly articles on the Soviet Union are still unfortunately published in Finland.

"Some have even speculated on issues relating to the Friendship, Cooperation and Mutual Assistance Pact," Zaychikov said Thursday at a Finnish-Soviet Society reception.

Zaychikov served as the director of the Finnish office of the Novosti Press Agency (APN) between 1970 and 1982.

"We must do our best to improve relations among all our countries and refrain from doing anything that might damage them.

"We are trying to closely comply with our obligations. But our partners still very often consider it possible to defend obvious deviations from what we have agreed on through all sorts of allusions to freedom of speech and the press," Zaychikov said in his critique of the Finnish news media.

"Koivisto's Trip a Milestone"

In his talk he, however, commended relations between the two countries.

Zaychikov described President Mauno Koivisto's visit of state to the Soviet Union, which is to begin in June, "as a milestone on the road that will lead to the continued, many-sided development of good-neighbor relations between the Soviet Union and Finland and cooperation profitable for both countries."

In his opinion, the state visit will provide "a new stimulus to profitable interaction between our countries' newsmen for the consolidation of a trustworthy friendship between the Soviet Union and Finland."

Zaychikov's new book, "Through a Neighbor's Eyes," will be presented to President Koivisto today.

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CSO: 3617/135

COUNTRY'S EDITORS REPLY TO SOVIET'S CHARGE AGAINST PRESS

Helsinki UUSI SUOMI in Finnish 28 May 83 p 9

[Text] "Orthodoxy is unknown among us here and even favorable information looks better when there are also shadowy areas," HELSINGIN SANOMAT chief editor Keijo K. Kulha answered Soviet editor Vasilii Zaychikov's charges with regard to the unfriendliness of the Finnish press. On behalf of UUSI SUOMI, chief editor Jyrki Haikonen believes that Zaychikov is well aware of Finland's situation and stresses the importance of a meeting of editors.

Emigrant activity and small changes in the behavior of the press have, according to the chief editors of the major newspapers, probably influenced the Soviet reaction.

Zaychikov criticized the press at a Finnish-Soviet Society reception on Thursday. According to him, Finns "still very often consider it possible to defend obvious deviations from what we have agreed on through all sorts of allusions to freedom of speech and the press."

"Some have even speculated on issues relating to the Friendship, Cooperation and Mutual Assistance Pact," he went on.

Zaychikov did not specify in greater detail which newspapers or articles he was accusing of being unfriendly. He himself observed Finnish practice between 1970 and 1982 as director of the Finnish office of the Soviet Novosti Press Agency (APN).

Martti Huhtamaki, the chief editor of ILTA SANOMAT, said that Zaychikov's critical remark was taken as markedly unrelated to his otherwise constructive and well-meant speech.

"In the name of honesty, however, we must say that, when there are two different press systems, in one of which information is reasonably free and in the other is on a card basis, these situations always crop up."

Huhtamaki pointed to a recent article in his own newspaper which, according to him, was interpreted in the Soviet Union "as an incitement to provocation against the Soviet Union by means of NATO forces."

"This is certainly an exaggeration! On the contrary, I have tried to teach them to react and the Soviet response to our article is one example of the result.

Huhtamaki feels that the charges that have just been leveled have something to do with President Mauno Koivisto's coming state visit.

"At the time of the 1980 visit too, there was a communiqué with regard to the press. The press was criticized in the newspapers and shown to be a suitable system in a country where the communications media are in the hands of those in power; here in Finland they are only partly so."

Temperament?

Pentti Pesonen, the chief editor of AAMULEHTI, emphasized that news items are selected on a different basis in Finland than in the Soviet Union and that the Soviets "place a different interpretation on the publishing of news than we do."

"These different kinds of theories regarding the press naturally make discussion difficult."

Heikki Salonen, the chief editor of SUOMEN SOSIALIDEMOKRAATTI, feels that Zaychikov's claim "is dead wrong as a generalization." He suspects that the journalist's temperamental nature also prompted him to make the accusation.

"Of course, we have to a certain extent in our press articles whose subject matter is foreign and which the Soviets regard as unfriendly."

In the opinion of TURUN SANOMAT chief editor Reijo Koski too, the criticism sounds "a bit unreasonable."

"Certainly in Finland it is extremely rare for us to publish such items. With respect to this too, we have been constantly moving in a more favorable direction.

"It hasn't always been this way. President Urho Kekkonen also spoke of this matter, but now pin-pricking politics has become practically nonexistent."

SUOMENMAA chief editor Lauri Kontro stressed the fact that over the years Finnish editors' competence had grown and with that the handling of news items improved. In Kontro's opinion, reciprocal visits between editors are also very important.

Keijo K. Kulha, the chief editor of HELSINGIN SANOMAT, viewed the situation as a question of honor and dignity:

"If I look at the matter in terms of Soviet press theory, I can certainly understand their concern.

"We, however, do not allow ourselves to see so much deliberateness in the printed word. For us there is no orthodoxy in any issue. Even favorable information is viewed in a better light when shadowy areas are also present."

Kulha suspects that the active activities of emigrants who have come from the south side of the Gulf of Finland, activities that have also evinced a slight change in the Nordic press, which has occurred in the Finnish press since Mauno Koivisto has been in office, are behind Zaychikov's criticism.

Jyrki Haikonen, the chief editor of UUSI SUOMI and chairman of the Chief Editors Association, believes that Zaychikov is well aware of Finland's general situation.

"I respect him for the way he looks for proper solutions for the news media without compromising his own principles.

"In Finland, however, it is a bit difficult to handle the press in terms of guidelines or otherwise created common agreements and obligations. In Finland neither organizations nor government officials have any chance at all of influencing the contents of the newspapers."

Haikonen stressed the importance of joint meetings of journalists but certainly felt that they would search more for mutual understanding in them than agreement on how to write.

"I don't, however, believe that Zaychikov meant that there might be really big, insuperable problems between us," Haikonen said.

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CSO: 3617/135

MODERATE-WING CP ORGAN ON KARJALAINEN FIRING

Helsinki KANSAN UUTiset in Finnish 21 May 83 p 2

[Editorial: "Ridding Ourselves of the Past"]

[Text] The crisis we are at present trying to discuss, which is Urho Kekkonen's political legacy to us and of which Ahti Karjalainen's resignation/dismissal is the most alarming expression, is a truly painful one and will obviously influence the development of Finland's politics for a long time.

Appearing along with it these days, especially in nonsocialist circles, is that sort of determined "ridding ourselves of the past" which is in fact only another term for the attempt to create an intellectual foundation for a change of direction and which, if we continue in this vein, can be very damaging to our most important national interests.

UUSI SUOMI, which has formed a club composed of the most influential figures to attest to the nature of the change that is taking place in Finnish society, has wanted to assume the role of signpost. Regrettable, but not very far from the truth is the observation that the SKP [Finnish Communist Party], Karjalainen and Virolainen operated a government without foreign policy. Particularly the Social Democratic Party ought to have reason to in general stop and think what sort of consequences might be produced by the kind of deprecation of foreign policy that was evident this time during the negotiations over the government. The club of influential figures namely expanded its declaration by stating that "the Paasikivi-Kekkonen line faded away unnoticed."

These are, of course, phrases with which they want to characterize the significance of the change in Finnish society. Emphasizing them, however, leads us off on the wrong track. When all is said and done, after what has happened there is certainly reason to behave as our new president does in every one of his speeches: We must not try to rid ourselves of the past, but to rebuild on the foundations of the past. Under the new circumstances too, we definitely need that line which was created decades ago and the pursuit of which produced this nation's most successful era. And we also need the cooperation of the Left and the Center, on which that line was able to rely throughout all our critical periods.

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CSO: 3617/135

KARJALAINEN: FIRING IS RESULT OF DESIRE TO CHANGE USSR TIES

Helsinki UUSI SUOMI in Finnish 26 May 83 p 3

[Text] Ahti Karjalainen sees efforts to change Finland's policy toward the USSR behind his dismissal. In an interview he granted the Stalinist Communist organ, TIEDONANTAJA, he said that those who feel that Finland's relations with the Soviet Union are too warm were behind his dismissal. In his interview Karjalainen also talked about the Finnish-Soviet Trade Commission: "I don't care who its chairman is if only he isn't a Social Democrat."

Karjalainen responded to TIEDONANTAJA chief editor Urho Jokinen's statement that it would be in the public interest to specify who was actually behind his dismissal: "Behind it was a political group which, after all is said and done, aspired to the post of general director of the Bank of Finland. Therefore, it was a clearcut struggle for power. But the power struggle was not the main issue. Behind it were those who feel that Finland's relations with the Soviet Union are too warm. They don't reject them; they just feel that they are too warm."

According to Karjalainen, in the opinion of these circles, our relations with the Soviet Union are also too good. And that is why the times should now be changed.

Promised to Lindblom

Karjalainen said that President Mauno Koivisto had promised the post of general director of the Bank of Finland to Seppo Lindblom. In Karjalainen's opinion, there is in itself nothing special about such an appointment. He said ironically that Lindblom himself feels that he is much better qualified for the post than others in terms of his knowledge and ability.

Resignation Ready to Be Submitted

In his interview Ahti Karjalainen also returned to the subject of the event that set in motion his resignation process. Four Center Party leaders came to see him: "They tossed my written request to resign down on the table. Only a signature was lacking. I could have written it myself. I declined and asked them to kindly take the piece of paper with them on their way out, without my signature."

EVA Busies Itself with Western Orientation

EVA too and its managing editor, Max Jakobson, get their come-uppance from the embittered Karjalainen. According to him, EVA is participating in the activities to get people to forget the Paasikivi-Kekkonen line and are now striving to, rather surprisingly and easily, gain a foothold with the Western orientation.

Karjalainen accused Jakobson: "When I was minister of foreign affairs, he noted a possible tendency to cause trouble in confidential relations with the Soviets because of perpetual "leaks." Jakobson was then the head of the Ministry of Foreign Affairs Political Department.

In Finland the situation became considerably more comfortable when Jakobson was appointed Finland's ambassador to the United Nations. Karjalainen said that after that happened he felt in his bones "that necessary shift in Finnish foreign policy. You always had to watch out that you weren't stabbed in the back."

No Social Democrats to Head Trade Commission

Karjalainen said that he had heard that Kalevi Sorsa had been proposed for the post of Finnish chairman of the Finnish-Soviet Trade Commission. "We must, however, remember that the chairman of such an organ should know something about commercial affairs. And especially about them."

"I don't care who the Finnish chairman of the trade commission is, only don't let him be a Social Democrat," Karjalainen said.

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STALINIST-WING CP ORGAN BACKS KARJALAINEN CHARGES

Helsinki TIEDONANTAJA in Finnish 31 May 83 p 2

[Editorial: "KANSAN UUTISET Bogged Down"]

[Text] An affair that still arouses feelings: In openly presenting his thoughts and giving vent to his feelings in two weekly publications and one newspaper, TIEDONANTAJA, Dr Ahti Karjalainen has brought to light some very interesting things. KANSAN UUTISET has been the "best" at condemning Karjalainen and also the most surprising to have done so. Even DEMARI has exercised more restraint, although the second chief editor's trashy article did lower the ratings.

On the other hand, KANSAN UUTISET has for some time now remained faithful to the style of yellow journalism it has adopted and printed the whole affair at the naive level of a comic strip, which is where the paper's public image is. In this matter too, the newspaper has adhered to its columnist Alpo Ruuth's total and pathological "rancor against the Stalinist minority," one which could not exist without a real column.

What is surprising in KANSAN UUTISET in connection with this affair has to do with the general appraisal of the Karjalainen case. Attacking the past, the Kekkonen era, is like beating a dead horse and especially the transition from the Kekkonen to the Koivisto era has often been treated in the newspaper's articles, written in very poor taste and containing incredible judgments, more like a subject to be pursued by a really conservative paper.

The Koivisto era is, of course, a blessed one, the Conservative Party and all political forces, from one end of the spectrum to the other, are the most faithful of the faithful promoters and supporters of the Friendship, Cooperation and Mutual Assistance Pact and "we should behave as the new president does" in all matters.

It is true that President Koivisto has assumed a supportive attitude toward Kekkonen's legacy. But must a workingman's newspaper docilely agree on the whole range of foreign policy decisions? Is there no longer any of our own worker mentality in the field of foreign policy? This is the impression we get when we read KANSAN UUTISET. Even DEMARI treats the socialist countries

better than KANSAN UUTISET does. This too is the role of foreign policy. Furthermore, what is our common national property, as now is our country's official foreign policy based on Finnish-Soviet friendship, can only be constantly advanced and carried out if the worker movement and the Communist Party march at the head of the column, not behind it or only with it.

So when KANSAN UUTISET publishes its condemnation of "the kind of" detachment from the past which the Right advocates, what kind of detachment from the past, and, strictly speaking, detachment from the past of the Friendship, Cooperation and Mutual Assistance Pact, is KANSAN UUTISET proposing? Perhaps we will get to read about it in some sort of shifty column that unsuccessfully tries to be too smart about serious matters.

At any rate, this whole latest foreign policy squabble demonstrates that as a worker newspaper KANSAN UUTISET has so far been very wishy-washy. We hope it will become more vigorous.

11,466

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OTHER KEKKONEN ASSOCIATE LEAVING FINLAND-USSR COMMISSION

Helsinki KANSAN UUTISET in Finnish 2 Jun 83 p 11

[Text] The vice chairman of the Commission for Economic Cooperation between the Governments of Finland and the USSR, Minister Olavi J. Mattila, has placed his post as vice chairman of the commission at the disposition of the government. Mattila announced this in a letter sent to Prime Minister Kalevi Sorsa (Social Democrat) on Wednesday.

With Mattila's submission of his post to the disposition of the government, the chairmanship of the economic commission has in a month's time been reduced from five to two officials and at the present time the commission has only a chairman and one acting vice chairman.

"The appropriate time to fill Mattila's post will be when the entire economic commission question is resolved," the Council of State said on Wednesday.

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GREEK ABSENCE FROM BRUSSELS MEETING REGRETTED

Athens POLITIKA THEMATA in Greek 3-9 Jun 83 p 12

[Text] While the socialists led by Gonzalez take part, Papandreou is absent. And the Turks receive training facilities....

NATO's Defense Planning Committee, which consists of the ministers of defense of its member countries, met in Brussels without the participation of Greek Minister of Defense Andr. Papandreou (Greece was represented at the session by the chief of the GEETHA [National Defense General Staff], Vice Admiral Degiannis, and by Ambassador Vasilikos). This was the only unjustified absence. Another absence, which was justified, was that of Great Britain's secretary of state for defense, who was away in London owing to the election campaign.

On the other hand, one appearance which stood out in particular was the participation of the Spanish socialist minister of defense, Serra, the first socialist minister from Spain who has taken part in such a session.

With regard to Spain, the loyalty of Gonzalez to the alliance was stressed in Brussels, although it is not certain yet whether he will carry out the referendum finally on the question of the participation of his country in NATO.

The Spanish minister of defense took part also in the meeting of the "Eurogroup," which gave its attention furthermore to the issue of cooperation between the European members of NATO and the United States in the sector of weapons systems. One of the issues which concerned this meeting and which is not referred to in the final communique was the creation of training centers in various NATO member countries for the carrying out of NATO's objectives.

According to reports, one country which was especially interested was Turkey, which requested that two such centers be established near Izmir: One for electronic warfare, and the other for training pilots to fly military jet aircraft. There is a like center in the United States where the Turkish pilots are being trained.

If we note all these things, it is because the issue should be promptly clarified: Is it our decision to abandon to the Turks the sector of operations--something which earlier we had attended to by way of the Alliance?

The same Turks who are modernizing their forces and giving them advanced training in modern missile systems and electronic weapons? And who are asking for and are being granted the establishment of training schools on their soil?

And if the Turks are making headway, because they are making headway, on receiving information as well as training--that is, on their military preparedness--by what logic and what basis are we relaxing?

Perhaps we ought to call to mind again the "prophecy" of G. Rallis, who expressed the fear that PASOK, in soft-soaping the leftist masses which are leaving it, will try to disarm them by making concessions on all the critical issues (the bases, NATO, and so forth).

12114

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PARLIAMENT APPROVES SOCIALIZATION BILL

Athens I KATHIMERINI in Greek 7 Jun 83 p 1

[Text] By a thin majority, the government secured yesterday in the Chamber of Deputies the passage in its totality of the bill on socialization measures in the public sector. But it lost the battle of ideas, since the bill was voted for by only 117 PASOK deputies out of a total of 166, and it was voted against by 83 New Democracy deputies, while the 13 deputies of the KKE declined to appear in the chamber during the course of the balloting. But the most significant aspect of this was pointed out by parliamentary circles--namely that this law, which establishes the principle of 50 plus 1 in polls taken on a decision to strike (Article 4), was voted for by scarcely 39 percent of the total number of Greek deputies!

This token voting--the only such voting since the change of government, according to a statement by the president of the Chamber of Deputies, I. Alevras--was called for subsequent to a request by 15 New Democracy deputies, in accordance with parliamentary rules of order at all times. This request was announced at the beginning of the session by the parliamentary representative of the ND, K. Mitsotakis, even though at that moment the "forces" of the two large parties within the chamber were divided.

The party machinery of the governing party hastily gave the call to arms, and managed--at the last moment and with the help of the KKE deputies, all of whom chose to be absent from the chamber--to win the majority in the voting, by 34 extra votes. But it did not manage to soften the impressions which had already arisen. The very philosophy of and principle behind the law being voted for had been damaged substantially, and the absence of a total of 51 deputies from the balloting gave a reason for inner-party concerns with respect to the loyalty of the government's deputies.

It is characteristic that immediately after the balloting, the ND deputies were calling on Alevras to find out whether the vote of the absentees would be considered positive or negative!

Finally, also voting against the bill in addition to the deputies of the ND were D. Khondroukoukis (Liberal Party), A. Kokkevis, Sp. Theotokis (independents), and G. Plytas (KODISO [Democratic Socialism Party]). Besides the KKE deputies and 50 PASOK deputies, also absent from the balloting were P. Kanellopoulos, A. Bouloukos, G. Petsos, and A. Dervenagas.

REPORTED PASOK INTRA-PARTY STRIFE, PAPANDREOU ISOLATION

Athens I KATHIMERINI in Greek 5-6 Jun 83 pp 1, 3

[Text] Doubts and intense anxiety are prevalent among many ministers, even more deputies, and other members of the governing party with respect to the course the government is taking. This anxiety has its origins in news concerning a defection of voters from PASOK, following the passage of the bill on the socialization measures and the recent anti-Western statements by Premier A. Papandreou. At the same time it is also being found in practice that the increase in unemployment and the barren results of the efforts to achieve a recovery of the economy are depriving the officers of the majority party of every argument when they face the people who are dissatisfied.

The criticisms by these worried people are now being directed openly at the "Kastri Group," which includes the close associates of the premier along with Minister to the Premier Ag. Koutsogiorgas and Minister of Merchant Marine G. Katsifaras, the extra-parliamentary technocrats for national economy and finance, Ger. Arsenis and D. Koulourianos, and the political appointees for the interior post, G. Gennimatas, and for public works, Aki Tsckhatzopoulos.

These ministers are accused of having "pressured" Papandreou to agree to the socialization bill and to thereby bring the government in confrontation with the bulk of the people who voted for PASOK, while these people are now proposing the adopting of a harsh and authoritarian policy towards those who object to the government's measures.

During the debates on the strike bill, many of these ministers boasted in the corridors of the Chamber of Deputies that they will implement it regardless of the political consequences, and that they will not hesitate to prosecute those who violate the new law.

These political and extra-parliamentary ministers are considered the inspirers of the anti-Western direction Papandreou took in his speech to the economic conference, which left many other ministers and deputies dumbfounded. The same criticized ministers also undertook to spread propaganda in every direction, alleging that the leadership of the KKE will "get their comeuppance with Papandreou" on foreign issues and will be compelled to back down on the strike question. For this reason, they are regarded as prompters of a whole series of anti-Western actions by the government which are to aim at strengthening the third-world image of this government, the hope being that in this way PASOK will make gains in the direction of the Left.

The Reactions

But these tactics of the "Kastri Group" have provoked the most reactions within the government and among the deputies. All of these people associate the anti-Western actions of the administration with the high-handed initiatives of the Kastri Group, which the dissidents claim have gone so far as to be provocative. In the corridors of the Chamber of Deputies as well as in the Parliamentary Working Sections (KTS), many deputies and ministers are openly expressing their objections to the government's measures, and are taking care to disassociate, indirectly but clearly, their position from these.

In connection with the more general political problems, the fear is that all these actions not only cut off the government even more from the centrist and leftist community which voted for PASOK, but that they may also have adverse consequences for the country itself. And this, they argue, is because these actions make the country seem frivolous abroad and prove that it cannot be trusted by foreigners, friends and allies. And this is even more the case, it is maintained, because by far the bulk of the votes for PASOK in the 1981 elections was of centrist origin, and this group does not want any moving away by the country from its place in the EEC and NATO.

In addition the critics are saying that those who were eager for the country to follow a different foreign policy voted for the KKE, which expresses the orthodox views of the traditional Left in Greece. The dissidents add in their arguments that when it had its third-world political image in 1974, PASOK received only 13 percent of the votes, with it not being able to attract broader classes of people.

Memoranda From the Dissidents

In any case, a number of ministers have expressed in writing their reservations concerning the course the government is taking, in memoranda to the premier himself. All of these memoranda apply to the sector of each minister, but at the same time they give the sense of a more general climate of dissatisfaction. Moreover, in these memoranda it is emphasized that certain leading figures in the government--meaning the KYSYM [expansion unknown] and other officers of the Kastri Group--are virtually blocking their work and are delaying the approval of proposals and their activities in general.

It is stated characteristically that the minister to the premier at first delayed approving a bill for months, and then when it was sent on for passage in the Chamber of Deputies the only thing which he asked about was:

"How many new posts does it provide for?" --"But none," answered the appropriate minister.

--"I myself would like to appoint some," said Koutsogiorgas.

The Isolation of the Chairman

On the other hand, the same people are also speaking out for the first time against Papandreou--in discussions with their colleagues which are not at all kept secret any more--with respect to the entire course followed by the government.

In particular they are charging that their chairman has isolated himself by working with only a few of his associates and that he avoids even talking on the telephone to ministers who have urgent problems. All unresolved issues are settled through the mediation of Koutsogiorgas, Arsenis, Gennimatas, Tsokhatzopoulos, and the director of his political bureau, A. Livanis.

Furthermore, the same people regard the government's statements on an electoral confrontation as having backfired, characterizing them as a bullying which revealed itself as soon as "Florakis pulled the chain." On the critical issues they charge that the government is avoiding dialogue and choosing to engage in a monologue, a charge made by almost all the ministers during the debates in the Chamber of Deputies on the strike bill.

On the other hand, they attack the advisers of Papandreou for letting him be compromised by way of their presence, and the critics no longer try to hide their disappointment because of his regular absences from the Chamber of Deputies. It is claimed that he would be able to change the present climate, which is to the detriment of the government, simply by his appearance and his participation in the debates on certain critical issues such as that of the last bill.

The Absence of Planning

Finally, almost all of the ministers are complaining about the absence of any economic planning in carrying out economic policy. Most of them do not know how to plan their activities, and they are asking about the fate of the 5-year program which has been promised to them so many times by the minister of national economy.

Rather sarcastic comments are being made about the fate of the preparations for the 5-year plan which the premier himself has announced. It is said that certain volumes containing the "putative" 5-year plan have been turned over to the premier, but that the materials contained in these are so inappropriate that Papandreou returned them angrily, and because of this the responsible deputy minister finds himself in disfavor. Now they have polished these materials up and are getting ready to present them.

Comments are also being made among the ministers about the situation which prevails in the KEPE [Center for Planning and Economic Research], where a few dozen American "teachers" have been engaged for drawing up the 5-year plan, with their monthly salaries being from \$5,000 to \$10,000.

These teachers, many of whom had not been to Greece before, present themselves as visitors to the KEPE and subsequently give orders to the Greek researchers, who have been entirely elbowed aside. A number of ministers have indirectly pointed out this situation to the premier himself, who has promised them that he will take measures, without anything having been done up to now.

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END OF AVEROF TERM IN ND SEEN FOR NEXT ELECTIONS

Athens ELEVTHERTOTYPIA in Greek 5 Jun 83 pp 1-2

[Text] It is impossible for the New Democracy Party to proceed to the coming elections under the leadership of its present chairman, E. Averof. The uncertainty surrounding this issue will be prolonged simply so long as the uncertainty is also prolonged surrounding the Greek-American negotiations on the bases. These categorical assertions were made to the political editorial staff of the Sunday ELEVTHERTOTYPIA by three top officers of the ND--specifically, a former minister in the economic sector, a party officer and now deputy who comes from the camp of the Center, and one of the "dauphins of the second rank."

According to the former minister, if the ND were to enter into the upcoming elections with Averof as leader, in his opinion this would drive the "dissatisfied voters from the Center, who gave the power to PASOK, towards insignificant and ineffective small centrist parties."

In any case, all of them fix the process of a change in leadership in the New Democracy Party as happening towards the end of autumn. And in any case it will be done without "hasty moves."

They assert specifically that Averof is bound both by the bylaws of the party and also by a statement which he himself has made to convene the ND congress around October or November. And that this congress will be used as an opportunity for the disengagement of Averof from the leadership and for the election of a new chairman "by peaceful democratic procedures."

But although in his talk with the political editor of the Sunday ELEVTHERTOTYPIA Averof himself admitted his obligation to convene this congress, nevertheless he stressed with strict unequivocality that "he does not see any need" to ask for a renewal of his mandate.

It is emphatically stressed by deputies known for their anti-Averof feelings that "even if he himself does not want it, the issue of the renewal of his mandate will necessarily come up for Averof at the congress. Even Karamanlis submitted himself to the verdict of the congress of Khalkidiki." It is maintained by the same people that the idea of two "kindred parties"--that is, a "purely rightist" one and a "central-rightist" party--has its keen supporters within and outside the party, but whether or not this will materialize depends on the ultimate form which the electoral struggle will take.

In any case, nobody was in a position to predict who may be the new leader in such a case. And everybody limited himself to pointing out the negative features of this or that person who is held up as a presumptive contender for the leadership. However, all three are disposed to give a negative answer to the question concerning the prospects of a possible splitting up of the party during the process of electing a new leader.

And they stress that today the confrontations are much more temperate than the polarization which arose between Averof and Rallis.

"Since we did not split up in the aftermath of a defeat or the overthrowing of a chairman, why should we do this now that we believe that we are on the road to a return to power," one of these men stressed characteristically.

But this optimism of his is not shared by all the deputies, many of whom believe that "Mitsotakis is playing his trump-card, and it does not seem that he will accept a possible defeat on his part without some counteraction."

Come what may, it seems that Averof is functioning within his party like a "lame-duck leader."

And only the sudden calling of elections--which is being officially ruled out by the government--prior to the ND congress would provide him with the certainty that he will be at the head of his party in the waging of the next election-campaign struggle.

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KKE ATTACKED FOR DEMANDING ROLE IN GOVERNMENT

Athens EXORMISI TIS KYRIAKIS in Greek 4-5 Jun 83 p 32

[Text] So the lies and hypocrisies have come to an end. The KKE has cast off its mask and is now moving toward open warfare against the PASOK government. This does not surprise us. In any case, not that much time has passed since the elections of October 1981 for us to forget its furious attack at that time against PASOK--which in some electoral districts reached the point of its supporting the slates of the Right--with its objective being to have PASOK lose the elections, or at least to be deprived of the power to govern by itself. The Right--and what it represents--may be by definition the enemy of the KKE, and for the sake of military honor it may fire some volleys at this Right. But it regards PASOK as its true enemy. Because with PASOK's policy of paving the way to socialist transformation by gradual but also steady steps within the existing conditions of constitutional parliamentary procedures and pluralism, it weakens the role of the KKE as the guardian of the laws of Marxist orthodoxy and as the monopolizer of the idea of the "hegemony of the workers' struggle."

These people have always viewed socialist change only as a transitional stage on the road towards the "people's republic" or the "democracy of the people," as they euphemistically call the dictatorship of the proletariat, for the gaining of which even armed struggle is not ruled out (see texts of answers by RIZOSPASTIS to questions from its readers during the period prior to the 11th Congress). Thus they do not believe in this change. The substantial institutional measures taken by the PASOK government, the great initiatives of its foreign policy in the direction of greater security, peace, detente, and nuclear disarmament, the recognition of the great National Resistance, the repatriation of the political refugees, and a thousand and one other things are deemed by them, in one word and with the loftiness of the highest of judges, to be "positive," and immediately afterwards they pay no attention to them.

However, we have not taken these measures in order to satisfy the KKE--it is not satisfied with anything--but because this is dictated by our conscience, our historical duty, and our election-campaign proclamations.

In any case, we are not going to suggest to the KKE the path it should take. That is its own business. It has a right, since this is what it wants, to remain out of touch with the real Greek situation, out of touch with life itself, as a historical fossil condemned to be a perpetual minority among the Greek people, without having learned a lesson from its own great historical

mistakes, which have tormented the country for decades and whose repercussions extend even to our own times.

But now we are faced with an open proclamation of war. The mask has fallen away and the KKE has shown its cards. It was offended because there is now an end to the distress caused by the damage which it initiated some months ago with its policy of guerrilla warfare through strikes. It was offended because some professional self-styled leaders of the working class will not be able to make decisions on behalf of thousands of workers with respect to the ultimate weapon of the strike. It rejects the democratic principle of the majority within the unions, because this does not suit its interests, and it pays no attention to the great institutional measures of the bill on the socializations.

However, the KKE has exposed itself also on another level. In a speech given in Germany, Mr Florakis asked the government for cooperation among the democratic forces, which translates into nothing less than demanding the admission of the KKE into the government. And he threatened that if the PASOK government did not understand this need (that is, if it did not give in), the people will force it to do this. In other words, if the "guardians" of the working class were to come into the government, everything would turn out well. Without this--war. And since the government stated through its spokesman that it is representing already the majority of the Greek people in implementing its program--in other words, it repudiated the blackmail attempt--less than 5 days later Mr Florakis is now going through with this attempt. Elections. Which means: Either you let us into the government, or we will demand elections. Which means in turn that the aim of Mr Florakis--what else could it be?--is to see to it that PASOK does not return to power. So that who can come into power? Perhaps the KKE? Or does it believe in all seriousness that it can play the role of mediator?

It thus turns out that Mr Florakis and his party do not believe in an orderly democratic path toward the Change, with their antiquated line of reasoning: Either all or nothing. Thus in the final analysis they are working for the Right, by their not being able yet, even after so many decades, to go beyond the philosophy of the underground. What a pity. As for us, we do not underestimate the mischievous potential of the KKE with the howling minorities under its command. The KKE has judged that the historical moment has come for it to proclaim war on us, by allying itself in actuality with the Right. It will have this war, since this is what it wants, and since it fears its very own masses, the same National Popular Unity which it is now trying to divide by means of an induced polarization, which it is striving for with criminal recklessness.

Of course, someday it will engage in self-criticism again and will again note its mistakes, in order to saddle certain "scapegoats" with them, as it has done in the past without learning by experience. For the present, it remains on trial in the eyes of the great majority of the Greek people for its criminal attempt to tear down what we are building, step by step and day by day, by countless labors and under adverse conditions. It will never be forgiven for this attempt--which will remain only an attempt--either by the people or by history.

SHARP PAPANDREOU STATEMENTS ON WEST REPORTED

Statement on Williamsburg Meeting

Athens I KATHIMERINI in Greek 3 Jun 83 pp 1-2

[Excerpt] Adverse domestic developments seem to be driving the premier back to harsh, anti-Western positions, with his noting of differences over against European socialism and particularly the policy of Mitterrand in conjunction with references to PASOK's Marxist roots and the search for a third way in the courses taken by the socialist policy of his party. This interpretation is given by political observers in explanation of two events which happened yesterday: First, the speech by Papandreou at the Mediterranean Studies Conference, which took place at the same time that the concern of the Greek people was focused on the Chamber of Deputies, where they were passing the bill on the socialization measures and the anti-strike Article 4. Second, the disassociating of the Greek government's position on the issue of the Euro-missiles, in the final communique of NATO's spring defense-planning session.

It is figured that the manifest "introversion" and the proclaiming of "ideological purity" and "uniqueness" emanating from the premier's speech is something the government sees as a needed "injection" for strengthening the morale of its followers, which has been at a very low level in recent days. In any case, political observers have pointed to the very heavy political cost which the country may have to pay internationally because of yesterday's unexpected resurrection of PASOK's anti-Western image. An additional reason for this assessment is that the relevant references by Papandreou took on an entirely abnormal sharpness which was noted by diplomatic circles in Athens. Characteristic of the tone of the premier's statements is the fact that Papandreou labeled the conference of the seven large industrial states at Williamsburg a "den of wolves" and imputed to French President Mitterrand the blame for the fact that during this conference none of the socialist positions was "approved" which the French president was to bring up, according to what had been agreed on during the meeting of the socialist premiers in Paris. Moreover, the same circles expressed their skepticism about the expediency of using such labels, when it is the case that 15 months from now, at the summit meeting of the EEC in Stuttgart, Papandreou will be sitting with four of the seven members of Williamsburg's "den of wolves," and from 1 July on will be the spokesman of their policy at the EEC level, for the 6 months of the Greek chairmanship.

Government's Excesses Regretted

Athens I VRADYNI in Greek 4 Jun 83 p 1

[Text] At the most critical time for his party and for himself, the premier has reverted to his delirious anti-Western rage, and the anti-EEC volcano of his third-world ideology has again become active.

In announcing the commencement of activities of the International Conference of European and American Economists of Socialist Governments, he called the meeting of the seven great powers of the European states--among which are four EEC states--a "den of wolves," he spoke against our participation in the EEC, and he announced that there has been confirmation of "the views PASOK expressed before the elections that for a country such as Greece to be a full member of the EEC has a decidedly negative effect on the prospects of its development."

Such things are said, when just a short time ago he borrowed considerable funds from the West and is now seeking new sources of financing for our shaky balance of payments.

Such things, when he receives annually from the West loans and aid of every sort in excess of \$3.5 billion.

Such things, when he is preparing to sign the agreement on the bases, in which he is negotiating the leasing of national territory to the United States in return for a certain rental fee which he is anxious to get.

Such things, when he expects the West to equip our armed forces, to take in our exported products, and to provide modern technology for the development of our country.

Such things, when--whether he believes it or not--he is obtaining via NATO the conditions of security needed for the peaceful furthering of the country's social and economic progress.

Such things, when in 1981 and 1982 alone he received from the EEC, in the form of aid and loans, a sum of 1.410 billion European Units of Account, and in 1983 is expecting to receive about 2.500 billion European Units of Account. If this sum were not forthcoming, the deficit in the country's balance of payments would exceed \$5 billion, and of course the country would be close to bankruptcy.

Such things, finally, when in a few days Greece is going to assume the responsibility of the EEC chairmanship and the other nine partners are viewing Greece with distrust, because they understandably fear that the country's present political leadership will not find it easy to reconcile its role of EEC chairman with the anti-EEC animosity of the party's dogmatism.

Someday we must get serious. Neither is it reasonable at any time for us to engage in public displays which are linked to our international position, nor is it permissible for us to pursue a foreign policy only for purposes of domestic consumption, nor finally for us to identify our national interests with party ideology.

We understand the crisis in morale which overcame the government after it became entangled in the notorious anti-strike bill. And we sympathize with it in its grief over the breaking off of its love affair, however temporary it may be, with the "other democratic forces." But it is unacceptable for the government to set in motion its anti-Westernism, especially in such a pointless and untimely way, and to thus endanger national interests, in order to make itself appealing to a headstrong and wayward betrothed.

12114

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POLL SHOWS CITIZENS MISTRUST PS-PSD GOVERNMENT

Lisbon EXPRESSO in Portuguese 28 May 83 p 3

[Text] The government resulting from the PS [Socialist Party]-PSD [Social Democratic Party] agreement will not last more than a year, according to the predictions of the majority of those questioned during an EXPRESSO-Teor poll. Questioned during the same survey about what solution they would prefer if the agreement between the socialists and the social democrats fails, the majority of those interviewed were split between the holding of new elections and the formation of a government on the initiative of the president.

This survey, made on Monday and involving 400 residents of Lisbon, Oporto, Evora and Viseu, reveals that if the PS-PSD agreement were to collapse, 35 percent of those questioned would choose new elections, 33 percent would urge a presidential government, 18 percent would want a PS-PCP executive branch, and only 9 percent would want the AD [Democratic Alliance] government to continue.

New elections were particularly favored by the residents of Viseu (47 percent), women (40 percent) and the nonactive population (45 percent). A cabinet appointed on the initiative of the president would be more acceptable to the residents of Evora (47 percent) and the active population (40 percent). The PS-PCP government formula has more supporters in Lisbon, and among men (20 percent, in both cases), with the least support in Viseu, and, curiously, Evora (9 percent).

In Oporto, the most popular choice was the continuation of the AD executive branch (15 percent), with Evora at the other extreme, with only 4 percent. Those interviewed in the two cities showed some inconsistency in response to the questions based on the possibility of the collapse of the agreement between the PS and the PSD, favoring various options--new elections, continuation of the AD government, formation of a PS-PCP executive branch or one on presidential initiative. In fact, 7 percent in Oporto and 2 percent in Evora suggested other solutions.

As to how long a PS-PSD government will last, about 28 percent predicted that it will fall within 6 months.

The choices offered during the survey were less than 6 months, 6 months to 1 year, 1 to 2 years and 3 to 4 years.

Since the second possibility was selected by 27.2 percent, it can be seen that the majority (55 percent) predicted that the PS-PSD government will not last beyond 12 months, while about 15 percent believed it could function for between 1 and 2 years, 7 percent for between 2 and 3 years, and nearly 23 percent for between 3 and 4 years. The tiny percentage (0.2) of those who said they did not know will also be noted.

If the fact that the majority of those interviewed gave the Mario Soares-Mota Pinto cabinet less than a year shows little optimism, the sector of those who predict the 4 years of the legislative term for the executive branch (22 percent) can still be regarded as reasonable. It should not be forgotten that no government since 1974 has lasted that long.

Those most skeptical about the durability of the PS-PSD bloc are found in Oporto (61 percent), are women (59 percent) and belong to the nonactive population (62 percent).

Those most optimistic live in Lisbon (27 percent), are men (28 percent) and belong to the active population (26 percent).

Those interviewed in the EXPRESSO-Teor poll were selected from among the population 18 years of age or older living in those cities on the coast and in the northern and southern interior. The 400 persons polled were chosen by the quota sampling method, with sex and age control variables.

Table I--Solution If PS-PSD Negotiations Fail

	Total*	City				Sex		Occupation	
		Lisbon	Oporto	Viseu	Evora	M	F	Active	Nonactive
New elections	35.4	36.8	31.2	47.3	31.8	30.0	40.0	30.2	44.9
Government selected on presidential initiative	33.8	36.1	26.6	31.2	46.9	37.2	30.9	40.0	22.4
PS-PCP government	17.6	19.8	13.3	8.8	9.1	19.5	15.9	18.0	16.8
Continuation of AD government	9.1	7.1	14.8	9.7	4.2	8.4	9.8	7.3	12.5
Other solutions	2.5	0.2	7.0	0.2	2.2	3.7	1.5	2.2	3.1
Don't know, no answer	1.6	0.0	7.1	2.8	5.8	1.2	1.9	2.3	0.3

* Values shown are percentages.

Table II--Durability of the Government

	Total*	City				Sex		Occupation	
		Lisbon	Oporto	Viseu	Evora	M	F	Active	Nonactive
Less than 6 months	27.8	29.2	27.1	22.3	13.2	26.8	28.8	22.4	37.8
From 6 months	55								
to 1 year	27.2	23.7	33.9	21.1	44.1	23.9	30.1	28.8	24.4
From 1 to 2 years	14.9	12.8	17.7	28.6	18.7	14.7	14.9	15.3	13.9
From 2 to 3 years	7.1	6.9	8.2	3.2	5.3	6.9	7.3	6.9	7.7
From 3 to 4 years	22.8	27.4	13.1	22.8	14.7	27.7	18.7	26.4	16.0
Don't know,									
no answer	0.2	0.0	0.0	2.0	4.0	0.0	0.2	0.2	0.2

* Values shown are percentages

'FOREIGN BODY' CONCEPT OF PCP CHALLENGED

Lisbon EXPRESSO in Portuguese 28 May 83 p 3

[Article by Jose Antonio Saraiva: "Eanes and the Communists"]

[Text] In an interview granted to the Spanish newspaper LA VANGUARDIA, which was published in Barcelona on Sunday, President of the Republic Ramalho Eanes said in more or less the same words what I had said here 15 days ago: it is necessary to integrate the Portuguese Communist Party (PCP) in the system. Or in other words, it must be viewed not as a party which will eternally be in the opposition, but as one which may also be in the government.

It is obvious that, however scandalized some may be at the statement, the problem must be viewed in this way.

And for very diverse reasons.

The first reason has to do with the very issue of making the communists "responsible."

The PCP cannot eternally remain an "irresponsible" party.

Let us take an example: the foreign loans.

Each time the country asks Western bankers for a loan, the Communist Party howls in indignation.

Now I ask you: if the PCP were in the government, and the money to pay government officials was lacking, would the party be obliged to yield to the inevitability of loans or would it not?

The second reason has to do with the "internal democracy" of the Communist Party itself.

Is it or is not true that the PCP is even more of an orthodox, closed and nondemocratic party for as long as the system regards it as a foreign body? Whenever the Communist Party cannot continue to benefit from the privilege of being "outside," and is forced to be "inside," i.e., to participate and to make commitments, it will inevitably have to open up.

The third reason has to do with the trade unions.

The democratic system cannot continue eternally to live under fire from the trade unions.

Now since to date, the "democratic" parties have not been able to free the trade unions from the influence of the Communist Party, there is only, seemingly, one thing to do, in order to raise the trade unions up and integrate them in the system: that is to integrate the Communist Party in the system.

The fourth reason has to do with the logic of any political democracy as such.

In the majority of the countries in which democracy functions, the system in effect involves rotation.

This means the following: there are two blocs, one more to the left and the other farther to the right, which alternate in the exercise of practical government power.

The bloc farther to the right enjoys the trust of the associations of business owners and that farther to the left enjoys the confidence of the trade union federations.

Sa Carneiro was one of the few men to perceive this.

What is curious is that those who at the time were Sa Carneiro's most ardent supporters and those who fought hardest for the bipolarization of the system are those who resist a socialist-communist alliance most adamantly today.

Now was this not precisely what Sa Carneiro defended?

Didn't he urge that the country should be divided into two parts, and that a rightist government should be followed by a leftist government?

How is it possible that those who defended a bipolar orientation and the Democratic Alliance proposal 2 years ago can today, following the fall of the PSD [Social Democratic Party]-CDS [Social Democratic Center Party] government, challenge the legitimacy of a PS [Socialist Party]-PCP government?

What argument and what logic can those who previously defended "bipolarization" use today to defend the "central bloc?"

Hypocrisy, or poor memory, if you wish, has no limits.

To prove that this is the case, that is to prove that the "central bloc" lacks logic, is extremely easy.

It suffices to contemplate the following.

To date the PSD-CDS bloc has been in power.

From now on the PS-PSD bloc will be in power.

What will follow it?

Taking the view that the communists can never join in the government, the only possible government after the next one leaves office will be once again a PSD-CDS coalition, which will inevitably have to be followed by a PS-PSD government.

As this is beyond any logical framework--to the extent that there is no logic in having one party which is always in power, allied today with the right wing and tomorrow with the left wing and then the day after tomorrow with the right wing again, I would ask the following. Would it not be clearer and plainer and more intelligent to accept the principle that the parties making up a government should leave the government when that government falls, and the parties which are in the opposition should take over the government then?

In other simpler words, would it not be more logical if the preceding PSD-CSD government were followed by a PS-PCP government?

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CSO: 3542/143

CATHOLIC CHURCH SUPPORTS LEGAL STATUS OF PCP

Lisbon DIARIO DE NOTICIAS in Portuguese 2 Jun 83 p 3

[Text] A church source told DIARIO DE NOTICIAS yesterday that the Catholic Church "would never support" the announced campaign to gather signatures in support of the outlawing of the PCP, which the news agency Noticias de Portugal reports the National Secretariat of Portuguese Youth in Defense of Life has announced will be launched this coming weekend.

This source, stressing that the secretariat is an organization of Catholics and does not represent the Catholic Church, said it is absurd to imagine that such a venture would have the "support and blessing" of the hierarchy.

"The Catholic Church may not agree with the principles supported by the PCP, but because of the respect democratic life and the multiparty system merit, it would never agree in any form with an undertaking of this kind," he said.

According to Noticias de Portugal, which quoted a statement issued by that secretariat in Braga, the campaign to be launched is connected with the fact that the PCP reflects "contradictions in its program with the constitutional endorsement of the right to life."

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CSO: 3542/143

PCP PREDICTS NEW CAMPAIGN BY CAPITAL AGAINST LABOR

Lisbon DIARIO DE NOTICIAS in Portuguese 7 Jun 83 p 3

[Text] PCP leader Carlos Brito stated, at the closing ceremonies of the Friendship Festival in Almada, that the PS [Socialist Party]-PSD [Social Democratic Party] agreement will mean "a new and generalized offensive on the part of heavy capital, working from the Soares-Pinto government, against the rights and interests of the workers and against the most positive changes and reforms brought to Portuguese society by the 25 April process."

Carlos Brito said that the policy the PS and the PSD propose to pursue in government is "a policy which means cudgels for the workers and prizes, convenience and protection for the big business owners."

Referring to the text of the agreement between the PS and the PSD, this communist leader said that "it is not legitimate to talk simply of continuity of the AD [Democratic Alliance] government policy." He stressed that "in many respects, more radically reactionary measures are being announced to achieve goals which the former coalition established but did not succeed in achieving." He mentioned in particular the issue of opening up "the banks, insurance, cement and fertilizers sectors to heavy capital."

Carlos Brito stressed, on the other hand, that "with this PS-PSD government being formed, it is not only the living conditions of Portuguese citizens and the conquest of 25 April which are threatened, since freedom itself and democracy are also in peril."

The PCP deputy warned that "the two parties in the central bloc will have no respite in the Assembly of the Republic."

"Mario Soares will fall as Balsemao did, defeated in the popular struggle and not thanks to clashes, confrontations or insults involving his own followers," Carlos Brito said, concluding that "it is time to begin to prepare the alternative."

Meanwhile, Octavio Pato said, during the course of the Festival of the People in Carnide, that "the PS-PSD alliance will mean the aggravation of all of the deficits in our economy and the imposition of intolerable conditions of life, unworthy of man, upon the Portuguese people, to an extent dangerous to Portuguese survival."

The PCP leader said that "1983 is pregnant with threats to the citizens and the independence of Portugal, because practically a third of the foreign debt is on a short-term basis.

"The interest which will be required by our creditors this year will come to about 112 million contos," he said, adding that "the race for loans under ever more onerous conditions shows no likelihood of slowing."

Octavio Pato explained that "the outgoing Balsemao government has already pledged gold worth 40 million contos, and another loan is now being negotiated against the deposit of 30 million in gold."

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SOARES, PINTASILGO, FREITAS EQUALLY FAVORED FOR PRESIDENT

Lisbon EXPRESSO in Portuguese 4 Jun 83 p 3

[Text] Mario Soares would win 29 percent of the votes if he were to run as a candidate now in a hypothetical first round in presidential elections with Maria de Lourdes Pintasilgo, Freitas do Amaral and Mota Amaral as his rivals, a poll taken on the continent during the second half of May by EXPRESSO-EUROEXPANSAO revealed. The results obtained (see Table I) show that despite the slight advantage the socialist leader enjoys over Lourdes Pintasilgo and Freitas do Amaral, the differences among the three are insignificant in terms of the poll, which in practice represents a tie. Only the social democratic leader from the Azores fell substantially below this level, with clearly less extensive support.

It will be remembered that the current president of the republic is constitutionally prohibited from competing in the next electoral race for the Belem post, such that the choice was made to include an individual close to Ramalho Eanes--Lourdes Pintasilgo--in the names proposed to those interviewed. The answers obtained in this survey were collected by each interviewer in a sealed ballot box in which each individual questioned placed a ballot casting his vote for one of the four possible candidates.

Table I shows the total results obtained on the continent. However, it is worth noting some partial values obtained in the breakdowns by region, sex and age. The greatest regional support won by each of the candidates were the northern interior for Mario Soares (32 percent), the southern interior for Lourdes Pintasilgo (38 percent, with good results achieved in the southern coastal region as well--37 percent), the northern interior for Freitas do Amaral (37 percent), and the southern interior for Mota Amaral (18 percent).

The breakdown by sex revealed that women have greater confidence in Mario Soares than men (34 percent as compared to 23 percent), with the reverse being true for Mota Amaral (10 percent as compared to 21 percent). No significant difference was recorded for the other two individuals.

The secretary general of the PS [Socialist Party] is also the favorite in the age group under 40, with 36 percent favoring him as compared to 26 percent for Lourdes Pintasilgo, 22 percent for Freitas do Amaral and 16 percent for Mota Amaral. In the other age group (40 years of age or over), the founder and former president of the CDS [Social Democratic Center Party] won the

largest number of voting preferences, with 31 percent, followed closely by Lourdes Pintasilgo with 30 percent, and, on a somewhat lower level, Mario Soares with 24 percent and Mota Amaral with 15 percent.

Social Democratic Party (PSD) Voters Divided

Those interviewed were also asked to indicate, on the back of the presidential ballot slips, what political group they voted for in the legislative elections last 25 April (the sheet carried a list of the main participating parties). The processing of the results thus made it possible to break down the intentions to vote for presidential candidates by parties (see Table II).

It was no surprise to find that 66 percent of those intending to vote for Soares were among those who voted for the PS in April. The figures representing those who would vote for Maria de Lourdes Pintasilgo, since 44 percent voted for the APU [United People Alliance] and 34 percent for the PS. In any case, overall, it is the parties which supported Eanes in the 1980 presidential elections which now constitute the support base for the dynamizing leader of the Movement for a More Profound Democracy.

If it is not surprising that 56 percent of the admirers of Mota Amaral comes from the electoral base of the PSD (with a significant oddity--13 percent comes from the socialist sector), the political distribution of the votes for Freitas do Amaral requires a much more careful reading. Of the votes for the former centrist leader, 37 percent comes from social democratic voters, and an equal number from what continues to be his party. This does not mean that the electoral base of the CDS has lost confidence in the charismatic founder of the party, since in fact this study also shows (figures not shown in these tables) that 74 percent of the supporters of the CDS in April would choose Freitas do Amaral now.

It is above all in connection with the PSD voters that these figures are important. In fact, this poll also shows that, of those who voted for the Social Democratic ticket last April, 36 percent would now vote for Freitas do Amaral, while only 31 percent would favor Mota Amaral.

Methodology

Sampling sector--Residents of continental Portugal in localities with five or more households listed in the voting registers.

Selection--762 individuals were personally and directly contacted, after random and multistage selection based on stratification established by means of simultaneous consideration of three variables--region, housing environment and socioeconomic development.

Collection of data--Collection was done between 20 and 23 May 1983 in 98 localities, using the EUROEXPANSAO ballot box method.

Reliability--The maximal margin of error on the total level is 3.6 percent, with 95 percent probability.

EUROEXPANSÃO was responsible for taking this survey and EXPRESSO for the analysis of the results.

Table I

<u>Voting on the First Round</u>	<u>%</u>
Votes	80.0
Abstentions	20.0
Mario Soares	29.0
Lourdes Pintasilgo	28.3
Freitas do Amaral	27.6
Mota Amaral	15.4

Table II

Political Structure of the Electorate
for Each Candidate

	<u>Mario Soares</u>	<u>Lourdes Pintasilgo</u>	<u>Freitas Amaral</u>	<u>Mota Amaral</u>
APU	7	44	0	2
CDS	2	2	37	6
PS	66	34	8	13
PSD	3	2	37	56
Other + Blank + Null and Void	3	6	2	3
Abstentions	<u>19</u>	<u>12</u>	<u>16</u>	<u>20</u>
Total	100	100	100	100

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BRIEFS

MINORITY CDS ASSOCIATION--The minority faction of the CDS [Social Democratic Center Party] will shortly establish an association of an "exclusively civic nature." Its president will be Luis Barbosa, and its goal will be to keep the centrists who were defeated at the last congress of their party organized. In addition to Luis Barbosa, participants in the association will include Rui Pena (responsible for the bylaws), Luis Beiroco and Jose Ribeiro e Castro. When invited to head this "civic association," Freitas do Amaral declined the post. [Text] [Lisbon EXPRESSO in Portuguese 28 May 83 p 24] 5157

CSO: 3542/143

ELECTORAL RESULTS IN AUTONOMOUS AREAS ASSESSED

Madrid ABC in Spanish 10 May 83 (Supplement) pp 4-9

[Text] Aragon

Santiago Marraco (PSOE), Virtual President of the General Council

Zaragoza, Mariano Banzo—The Aragonese, 62 percent of whom went to the polls, voted chiefly for the PSOE [Spanish Socialist Workers Party] in the autonomous elections. The Socialists have won 34 of the 66 seats in the Aragonese Parliament, giving them an absolute majority and the presidency of the General Council, which post will be held by regional PSOE secretary Santiago Marraco.

The People's Coalition gained 16 seats, the Aragonese Regionalist Party (PAR) 13, the CDS [Democratic and Social Center] 2 and the Spanish Communist Party (PCE) 1.

The first congratulations the new president of the Aragonese General Council received were from current president Juan Antonio de Andres, a member of the now-extinct UCD [Democratic Center Union]. The telegram, which speaks for itself of the nobility of a person like de Andres (who during the few months he has served as president has gained the affection of all Aragonese), said the following: "My sincerest congratulations and, in wishing you luck, I am also wishing our beloved Aragon luck. I beg you to accept my best wishes for success and achievement in the new responsibility you have been called on to assume through the sovereignty of the people of Aragon. Affectionately, Juan Antonio de Andres, president of the Autonomous Community of Aragon."

With the crushing victory at the polls, a new era that began on 10 August 1982, the day the Aragonese Autonomy Act was passed, was to continue. It was the first time the Aragonese were to elect their own representatives in the autonomous parliament and over 60 percent of the people went to the polls on Sunday. Thus a provisional period, the one that followed the general elections in October of last year and has lasted until now, also came to an end.

Actually, during the October general elections the PSOE "swept" the three Aragonese provinces to the point where the Centrist party, the UCD, did not get a single representative. With those election results a regional parliament was formed that had no representatives. Although they were the winners in

October, the Socialists preferred to leave a measure of hope open until the local elections were held. That is why the 66 parliamentary seats were distributed like this: 34 seats for the UCD, 22 for the PSOE and the 10 remaining seats were divided up among the People's Coalition, the PAR and the PCE.

The UCD, which "in theory" held an absolute majority in the regional legislature, elected Gaspar Castellano president of the General Council and, when he resigned after 2 months, the current president, Juan Antonio de Andres, was elected.

Gaspar Castellano, the ex-president of the General Council, who ran in the municipal elections on Sunday as an independent candidate in Ejea de los Caballeros, his home town, was elected councilman on that municipal council. Castellano said that these first autonomous elections meant a new step for Aragon toward the definitive promotion of the process and consolidation of its institutions. He noted that it would be a positive factor if there were a majority in the Aragonese Parliament ready to support the government, although it ought not to be too large a majority.

The ex-president of the region also said that the latest Aragonese Government of Juan Antonio de Andres had ably performed its duties and that he was satisfied that "my resignation has calmed people down and made the political parties realize that you can't make a mockery of politics."

Santiago Marraco, the new president of the Aragonese General Council, attributed the PSOE's victory in the autonomous elections to the effort made by the Socialists to play up the Autonomy Act. After hearing of the outcome, he emphasized that the Aragonese Government was going to promote a participative policy open to all sectors of the society. "We want to strengthen the autonomous institution and bring to fruition the efforts that have been made to establish regionalism in our land," Mr Marraco added.

Asturias

The Socialists Do Not Need the Support of the PCE

Oviedo, Antonio Palicio—The PSOE also gained an absolute majority in the autonomous elections in Asturias. Therefore, Pedro de Silva Cienfuegos Jovellanos will be the first president of the principality to be elected democratically and who will replace Rafael Fernandez, also a Socialist.

In Asturias 45 representatives were elected to the General Council on Sunday, 26 of whom are Socialists, 14 members of the AP [Popular Alliance]—PDP [People's Democratic Party]—UL [Liberal Union] coalition and 5 members of the Asturian Communist Party. With this majority the Socialists can form the first one-party Asturian Government since up until now their simple majority has forced them to enter into coalitions with the Communists.

The PSOE got 276,790 votes (52.41 percent), representing 26 representatives. The AP-PDP-UL coalition got 158,959 votes, which gives it 14 representatives

(with 30.1 percent of the vote) and the Asturian Communist Party, which will have 5 representatives, got 56,786 votes, which means 10.76 percent of the vote.

Pedro de Silva, the new president of the principality, and his majority will permit him to take over the reins of the regional government with a clear majority. Just hearing of his election, the new president said that the serious problems Asturias has are his major concern. Pedro de Silva also said: "Let no one think that we are going to be able to resolve the region's problems in 3 days; we have a mandate to govern for 4 years and we're going to carry it out. Let no one ask us for instantaneous solutions at this time."

He also said that no concern was going to rob his government of sleep, since he was going to work earnestly and hard on Asturia's problems. "There will be serious crises that will be of concern to us, but for each problem we will look for solutions among all of us in solidary fashion."

Balearic Islands

The Nationalists Will Determine the Government

Palma de Mallorca, Nieves Martin—The game of politics is the winner in the autonomous elections in the Balearic Islands, since none of the major parties gained a majority. Therefore, it will be the nationalist parties that will hold the government of the islands in their hands.

Right from the start of the campaign they speculated with possible deals, sometimes with deals, sometimes with the Mallorcan Union (UM), sometimes with the Socialist Party of Mallorca, Menorca and Ibiza (PSM). That is how things went on the day of the election with questions directed to leaders referring to that point and the general answer being no deal.

However, the outcome of the elections will force both the Popular Coalition and the PSOE to negotiate with the UM, which gained six councilmen, and the PSM, which captured four.

It is important to stress the UM's "victory" since these are the first elections it has run in. The UM is a Center-Right party led by Jeronimo Alberti, who was president of the Interisland General Council and the Island Council of Mallorca as a result of the UCD victory in the 1979 general elections. Later, due to the crisis in the party, Alberti tendered his resignation and began to organize the nationalist party the Balearic Islands "needed."

We must therefore explain that victories like those of Ramon Aguilo in the Palma Municipal Council are chiefly due to the large number of out-of-towners registered in the city, not to the native residents of Palma.

According to this hurried analysis, it is to be anticipated that the UM has in its hands the necessary vote to win the presidency and that it will be for the AP. Naturally, the UM will impose its conditions on Gabriel Caneyas (AP) if he really wants to be president of the Interisland General Council, and it is

very possible that the chief condition will be the election of Jeronimo Alberti to the presidency of the Island Council of Mallorca.

Old Castile-Leon

Abstention from Voting Has Seriously Hurt the Liberal-Conservative Coalition

Valladolid, Jose Jesus Arroyo—Despite all forecasts, the PSOE has won the autonomous elections in Old Castile-Leon, albeit with a slim majority. The 42 representatives elected will only be able to form a government when and if the two Centrists from Avila and the Liberal from Burgos do not align themselves with the 39 representatives elected on the Liberal-Conservative ticket.

There were basically two surprises in these autonomous elections, surprises the Socialists own polls had indicated: a victory by the AP-FDP-UL coalition, the one that took place in the province of Leon where Jose Equiagaray's ticket only captured 6 of the 15 contested seats and the one in Burgos where the AP's victory was marred by competition from the Liberal Democratic Party, which won its only seat, and the abstention from voting recorded in the judicial party of Aranda de Duero, Conservative candidate Fernando Redondo Verdugo's little home town.

The Leon situation can only be explained as being due to the low rate of participation, which seriously damaged the Right and interrupted Old Castile-Leon voters' tendency to participate, which, nevertheless, showed a voting rate of over 70 percent in provinces like Palencia and Soria. Some speculate that the abstentions in Leon may have a lot to do with the suit filed due to that province's secession from the administrative entity of Old Castile-Leon. To a certain extent the election results in Salamanca were not expected either, inasmuch as the Socialists had assured us that that was a province in which they could win.

Avila gave the Liberal-Conservative coalition three seats and two to the Socialist and Centrist tickets. Once again the CDS could set itself up as an arbitrator in the situation inasmuch as some individuals in Suarez' party had already predicted that it would abstain from voting during the presidential election.

In Conservative circles the election results caused a certain amount of consternation, while Demetrio Madrid stated that "Old Castile-Leon also understood the advantages of socialism and rejected the options always open to it, which is why our region finds itself in the situation it is in."

On hearing the results of this election, Santiago Lopez Valdivielso, who headed the Valladolid ticket, commented to ABC that, "if the polls have withdrawn their confidence in us, we must respect the choice of the people of Old Castile-Leon, but until the investiture ceremony nothing is final and I can assure you that, if it is our turn to be the opposition, we will do so in a conscientious and loyal way, thinking that we have contracted an important commitment to the people of Old Castile-Leon, whom we are not about to deceive."

The rainy election day passed in a perfectly normal way in the provinces of Old Castile and Leon and it was not until that night that the reactions of the parties began to be felt, especially when they heard the results. People have begun to speculate and it is already taken for granted that Valladolid will be the site of the autonomous institutions since that is what the PSOE promised during its election campaign. The question of the location of the capital will be the first problem the regional parliament that has been elected will have to deal with. The Autonomy Act itself provides that, "once the Parliament has been constituted in the city of Tordesillas, the location of locations of the institutions will be established through a two-thirds majority." So Old Castile-Leon's autonomous process will have to begin with an agreement between the two majority parties to arrive at the two-thirds established by law. It does not, however, seem that there will be too many problems since, together with the Socialists — and thus obtaining the necessary majority — the Conservative representatives of Palencia, Salamanca and Valladolid itself could vote in favor of making Valladolid the capital.

A significant fact about the autonomous elections that should be stressed is that the Communists did not get a single seat despite the fact that they had made somewhat of a recovery in the municipal elections.

New Castile-La Mancha

Socialist Jose Bono, President of the Council of Communities of New Castile-La Mancha

Ciudad Real, Jose Maria Zuloaga—By the narrow margin of two representatives, which would have to be noted in the results obtained in the province of Ciudad Real in particular, the PSOE has won a victory in the autonomous elections that enables it to cover the seats in the New Castile-La Mancha Parliament. The Socialist candidate for the Council of Communities is Jose Bono, a representative from Albacete.

The 44 seats in the regional parliament were distributed as follows: Albacete, five for the PSOE and four for the AP-PDP-UL; Ciudad Real, six for the PSOE and four for the AP-PDP-UL; Cuenca, four for the PSOE and four for the AP-PDP-UL; Guadalajara, four for the AP-PDP-UL and three for the PSOE; and Toledo, five for the PSOE and five for the AP-PDP-UL.

Thus two Socialist victories, in Albacete and Ciudad Real, two ties, Cuenca and Toledo, and a Popular Coalition victory in Guadalajara.

The average rate of participation among the New Castile-La Mancha population was considerable: 70.75 percent, with Toledo being the highest (76.99 percent) and Cuenca the lowest (57.26 percent), according to Council of Community sources.

The representatives of the community of New Castile-La Mancha face major challenges, as is the case with the development of a tremendously depressed region. Extremely controversial issues may be the location of the capital and the regional university as well as the installation of an Air Force firing

range at the Cabaneros Estate in Ciudad Real, a matter concerning which the regional parliament has already to form a study and investigating committee.

The widespread protests of the people of Ciudad Real over the choice of this estate are motivated — as they argue — by the preservation of jobs and the protection of an ecosystem rich in fauna and flora and with many endangered species.

The fact that the presidency of the Council of Communities will be incumbent on Jose Bono of Albacete must be reviewed, a fact that implies a certain "de-Toledoization" of the position, since the last two officeholders, Gonzalo and Jesus Fuente Lazaro, came from that district.

The distribution of five Socialist parliamentarians to four from the AP-PDP-UL coalition constituted a genuine surprise, in view of the fact that the predictions assured us that six seats would go to the PSOE and three to the Popular Coalition, hence the nervousness of Jose Bono, the future president of the region, who followed the elections from the City Hall of Albacete. He did not win the election until well after dawn. When he was sure of his victory, he told reporters that he would from the Council of Communities attack the problems of unemployment, education and the harnessing of New Castile-La Mancha's economic resources, which would mark a new way of doing things in the region, and that the changes he was thinking of introducing in the municipal councils would be made from the Council of Communities.

Navarra

The Election of a President Will Depend on Alliances

Pamplona, Maria del Carmen Llamas—Given the fact that no political group gained an absolute majority in the Navarra Parliament, the election of the president of the foral government will depend on alliances or agreements reached by the parties. Let us bear in mind that Article 29 of the Constitution with regard to the extension of the fuero [privilege or exemption] requires a presidential candidate to obtain an absolute majority, that is, 26 votes, in view of the fact that the parliament has 50 members, on the first ballot. If the candidate does not obtain an absolute majority on the first ballot, a new vote will be taken 48 hours later. If an absolute majority is not obtained, a simple majority will suffice in successive ballots. Under these terms the key role the PNV [Basque Nationalist Party], which will swing the Navarra Government to anyone it aligns itself with, whether it be the PSOE or the UPN [Union of the People of Navarra]-AP, can play seems to be obvious. Javier Urralburu, who was in principle a possible president of the foral government, indicated his reservations: "President of the foral government? That remains to be seen because, given the election results that have been produced, it is very difficult to govern with a minority, since it 'burns' people and carries with it a loss of credibility."

Since they did not obtain the obligatory 5 percent of the vote, the AUZOLAN coalition, the Carlist Party, the Basque Left, the Communist Party and the Communist League were left out of the distribution of parliamentary seats.

Cantabria

Big AP-PDP-UL Victory

Santander, Alfonso Prieto—Cantabria was one of the autonomous communities in which the Right was victorious, thus confirming the fact that this region will continue to maintain its conservative status, as was demonstrated in the 1977 elections and in those of 1979 with the clearcut victory of the UCD in both elections.

As we reported on election eve, according to the forecasts, a stubborn fight was anticipated and that is what happened, although the AP-PDP-UL coalition obtained an absolute majority with 18 seats against the Socialists' 15 and the regionalists' 2. The latter got one representative more than in the preceding elections, the Socialists 2 and the AP-PDP-UL 18, since it had no representatives in the Regional Assembly and since the UCD occupied the latter with 32 seats. One thing is certain and that is that, after the problems that had come up in the UCD, the expulsion of eight Centrist representatives and the latest incorporation of representatives and senators in the Congress, the current composition of the Regional Assembly came to be the following: the PSOE 13, the UCD 11, the People's Group 8, the Independents 2 and the PRC [Regional Party of Cantabria] 1.

So Cantabria was the exception in the autonomous elections since the Socialists were dominant in almost all the commonwealths and it was also one of the few provincial capitals where the rightist Popular Coalition was victorious too.

Since this coalition obtained an absolute majority, Guillermo Gomez Martinez-Conde, a lawyer and president of the AP, will be the president of the Regional Assembly and Jose Antonio Rodriguez, a lawyer who was president of the Provincial Council and is now president of the regional government in Cantabria, will continue to occupy that post as soon as the planned agenda is worked out. And since the AP-PDP-UL also succeeded in obtaining an absolute majority in the municipal council of the capital, lawyer Juan Hormaschea will continue to be mayor of the capital.

The leader of the Cantabrian PSOE and its number-one candidate for the presidency of the regional government, Jaime Blanco, has announced — perhaps because of the defeat he suffered — that he will place his post at the disposition of the party, but he is expected to be confirmed in that post.

Commonwealth of Valencia

Electorate Inhibited in Regional Parliament Elections

Alicante, Isidro Vidal—Voter participation in the parliamentary elections of the Autonomous Commonwealth of Valencia was less than it was during the municipal elections. Aside from any other considerations, the fairly well-founded impression prevails that there was a poor turnout at the autonomous region level, it being the case that at many polling places ballots were deposited in

the municipal urns with voters refraining from dropping them in the orange-colored urns.

Nevertheless, the Valencia Community and its autonomy are an irreversible fact and whether the peoples of Castellon, Valencia and Alicante feel that they can identify themselves with the new political arrangement will to a large extent and perhaps totally depend on those who constitute its government and its parliament.

Regionalist Concept

Here, in this region, the regionalist concept is mapped in terms of coordinates that to a certain extent differ from the autonomy plan, the latter representing a change which the immense majority of inhabitants of Castellon, Valencia and Alicante regard with scepticism and indifference, if not with mistrust. The men of the Plana, the workers of Sagunto, the Valencian orange growers, the textile workers or shoemakers of Alcoy, Elda and Elche, the fruit growers of the Segura, the farm workers of the Vinalopo, to mention just a few areas, will have to be convinced with unquestionable facts; we say that they will have to be convinced that the era we are now entering is a positive one for these three provinces which have common and in many cases conflicting interests.

Provincial Individuality

The suspicion, the reserve and the premonition that exist that they may be escaping from one kind of centralism only to fall into another cannot be ignored. The individuality of each one of the three provinces that make up the Valencia region is something that has from time immemorial been absolutely typical, native character traits for their good or to their detriment. And the new Valencian Parliament that has just come into being as a result of these elections, composed of 51 Socialist representatives, 32 from the Popular Coalition and 6 from the PCPV [communist party of the Valencian Country]-PCE, a total of 89 representatives, of whom those who headed their tickets have each personally voiced their decision to be responsible for the commitments they have assumed and their hope of achieving positive results, will have to deal with this complex peculiarity.

And it is just this that will be the ceaseless challenge which this region, expectant in the face of its difficult future and with a very characteristic measure of disbelief, will subject them to.

Extremadura

Slight Restructuring of the Council After the Socialist Victory

Badajoz, T. Rabanal Brito—Election day in the capital, and by extension throughout the entire southern province of Extremadura, passed calmly and normally. Inasmuch as it was strictly Badajoz that was involved, the flow of voters in the early hours of the morning to the different polling places was at a languid pace. Some voted early so that they would not have to interrupt their Sunday in the country and others voted in the middle of the morning.

In view of the results (not yet final) the vote count in the region shows, the Extremadura Council Parliament or Assembly will be formed with 35 members from the PSOE, 20 from the Popular Coalition, 6 from the United Extremadura Party and 4 from the PCE, and this not discounting any possible, but very slight modifications.

The president of the Regional Council, Juan Carlos Rodriguez Ybarra, made several statements to the news media to the effect that the council would be restructure in view of the results obtained in these elections, and added that some individuals who at present perform specific functions in the different municipal councils would devote themselves to other activities, particularly on orders from the party. And Mr Ybarra concluded with: "I believe that the restructuring of the council must be of the same nature, without its interfering with our desire to admit other persons who want to contribute something to this broad region."

On mid-Sunday morning Adolfo Diaz-Ambrona Bardaji of the AP and at the head of its ticket for the Regional Assembly stated the following to the press: "Without being guilty of exaggerating, I believe that we can say that today is a historic day since it finally constitutes the Autonomous Community of Extremadura and, consequently, we are going to have the opportunity to from now on resolve many problems that were previously resolved by the capital of Spain."

The new autonomous government is going to be facing an arduous task to be carried out, above all the jurisdictional framework pertaining to the region by virtue of Article 143 of the Constitution. Since 1979 the Extremadura Council has been receiving assignments from the different departments of the central administration, but actually what it has so far undertaken have been matters of little importance which have little effect on the region. The next assignments will affect practically all the municipal councils.

Murcia

Absolute Socialist Majority and Minimal PCE Turnout

Murcia—The Regional Assembly of Murcia will be constituted by a Socialist majority of 26 parliamentarians as against the 17 secured by the Popular Coalition and the minority representation — one seat — obtained by the PCE.

These results essentially reflect the fact that the support obtained by the PSOE in the last general elections has been retained and that the AP-PDP-UL coalition continues to be the second power on the political scene, consolidating its position as the sole party opposing the Socialist majority.

Once the official results are known, it will remain to be determined who is to occupy the presidency of the regional government. The PSOE's number-one candidate for Murcia in these municipal elections and also president of the regional executive body until 8 May, Antonio Hernandez Ros, as a candidate has the best chance of continuing to represent the autonomous government since he essentially

has the support of most regional sectors as well as the seal of approval of the Socialist Federal Executive Committee in Madrid.

Rioja

Absolute Socialist Majority in the Rioja Assembly

Logrono, Gonzalo Bergasa—The defeat of the Popular Coalition by the Socialists for the Rioja General Council, in which the PSOE will have 18 seats and the AP-PDP-UL 15, while the Rioja Progressive Party (PRP) with two votes will fill out the complement of 35 representatives who constitute the Rioja Assembly, may be attributed to the verdict rendered in Arnedo and Logrono.

Also during the autonomous elections the AP criticized the PRP because of the size of its political emblem on the ballots and the PSOE for including on the Socialist ticket for the assembly Martinez Tricio, the current mayor of Cenicero, who according to his critics should have resigned from his office as others did or lose the opportunity to run, as was the case with two mayors in the Cervera Comarcal who were disqualified for not having resigned in time.

There was public knowledge of the many chances of a "stalemate" between the so-called rightist and leftist forces that were running for the Rioja Assembly, but the results gave the Socialists a majority.

Canary Islands

Slight Socialist Gain over the 28 October General Elections

Las Palmas, Gran Canaria, Antonio Cruz Dominguez—The PSOE got 29 of the 60 seats in the Autonomous Canarian Parliament during the island district elections held this Sunday.

Once the results of the parliamentary elections were known, Jeronimo Saavedra, who until now has been the first president of the provisional Canarian Government and who in all certainty will be the actual president once the parliamentarians elected this Sunday assume office, said that his party, the PSOE, had made a gain with respect to the results of the 28 October elections and that — Mr Saavedra noted — is the important thing.

Complex Electoral System

Heronimo Saavedra stressed the fact that the existence of so many parties in the regional assembly is an example of the special electoral system the Autonomy Act has created and which the PSOE opposed. He said that he was quite satisfied because the PSOE got three representatives more than it did in the 28 October elections. "Consequently," he noted, "it is a rather sizable gain on the larger islands as well as on the others. My party has secured its position after having governed for 3 months and now the voters have confirmed and extended that position. The results are very positive for the PSOE and we must as such take them into consideration for future government actions."

Parliamentary Stability

As for Cesar Llorens, the president of the PYP and representative elected by the People's Group, he noted that nationally viewed the results were clearcut, but in the Canary Islands, he said, "we assumed that the situation was more complex." Mr Llorens is concerned over the fact that the PSOE did not gain a larger majority in Parliament because, according to him, it may be inferred from this that they will only achieve a government with parliamentary stability through a series of deals. Mr Llorens was referring to the fact that a major force, the Majora Assembly, representing the island of Punteventura, has now been introduced and he believes that, even in the opposition, his party can with constructive zeal cooperate "because," he said, "we cannot as has on certain occasions happened with the National Parliament, gamble with the autonomy of the Canaries, basing it on an unstable equilibrium that is upset today and restored tomorrow. I would like," he said, "the PSOE to find the stablest way of being able to govern, if the PSOE is indeed to govern."

11,466

CSO: 3548/409

PAPER CRITICIZES PALME FOR HANDLING OF SOVIET SUB INCIDENT

Stockholm SVENSKA DAGBLADET in Swedish 21 May 83 p 2

[Editorial: "Why Is Palme Silent?"]

[Text] It was an important clarification which the submarine commission's chairman, former defense and foreign minister Sven Andersson, made in a speech to the parliament's foreign relations club on Thursday. The report on Andersson's statement which was reported in a socialist press article by a journalist who happened to be present has been confirmed for SVENSKA DAGBLADET by the members of parliament who participated in the meeting from both the opposition as well as the government party.

Sven Andersson reported that a Soviet diplomat several months ago led a representative on the submarine commission to understand that Soviet submarine activities would continue. Andersson tied this to Arbatov's statement in Washington, which also implied that the submarine activities would continue. Denials of Arbatov's statement were rejected by Sven Andersson, who said, "Arbatov has said this, and we have proof."

Against this background Sven Andersson considers it even more important that we quickly obtain the military equipment that can prevent the extensive submarine operations in which the Soviet Union continues to engage along the Swedish coast. We must stop them at any cost, he stated.

There can be different opinions about how much the cynical and arrogant propagandist Arbatov knows about the Soviet navy's operational plans. But despite this and despite the exact nature of his remarks, they reflect a great power's contempt for a small state's sovereignty.

This contempt has in addition been demonstrated by actions. After Gasefjarden came Harsfjarden, and after Harsfjarden came Sundsvall. And of course far from every Soviet submarine operation along the Swedish coast has been detected.

For the Soviet Union naval operations in restricted Swedish military zones are obviously a routine habit.

Whether the Swedish people, the Swedish government, and the Swedish defense forces get accustomed to Soviet subs prowling around at their pleasure in

Swedish waters and near Swedish military bases, then matters have gotten out of hand. Such a development must not be allowed.

It is principally the government that in word and deed must make certain that this does not occur.

Sven Andersson has spoken frankly. Now it is about time that Olof Palme spoke frankly. This normally so talkative man has not wanted to say anything about recent developments in the sub affair.

It must be because Palme sees Arbatov, a member of the Palme Commission, as his personal friend, and it must be because it would be impolite to ascertain exactly what Arbatov said in Washington. There can be no doubt, as Sven Andersson stressed, about the spirit of his remarks.

No longer can Olof Palme remain silent. He must now address this great power cynicism which Arbatov's remarks reflect and which coincides with the Soviet navy's actual behavior.

Palme also ought to clarify if he shares Sven Andersson's view that we must expedite the acquisition of better equipment for anti-submarine warfare, and that the violations must be stopped at all costs.

The premier has a responsibility in word and deed that we do not become accustomed to the Soviet submarine operations as if they were a normal event.

9906

CSO: 3650/203

COMMUNIST WORKERS PARTY ORGAN REPORTS ON CONGRESS

Lulea NORRSKENSFLAMMAN in Swedish 26 May 83 p 6

[Article by Arne Soderquist: "The Peace Campaign Influenced the Entire 27th Congress"]

[Text] The Communist Workers Party calls upon the Swedish government to inform American vice-president George Bush, who will shortly be visiting Sweden, that the decision to station new NATO missiles in Europe threatens Swedish national interests. Save life--stop the European missiles!

That was one of several declarations adopted by the Communist Workers party's 27th congress during the final congress day at the People's House in Stockholm.

That declaration illustrates the issue that dominated the 27th congress, namely the peace campaign. It ran like a red thread through the congress from Rolf Hagel's main introductory speech on the first day of the congress and through the general debate, greetings to fraternal parties, and adopted resolutions.

The struggle for work was the other great issue, but in general one can state without exaggeration that the three days of debate at the congress covered most questions of vital interest for the Swedish working class.

The adopted resolutions bears witness to this.

New Party Leadership Unanimously Elected

The new party leadership was unanimously elected already on Whitsun day; after the new executive committee's first meeting the results of other elections were announced on the second day.

Thus with warm applause it was announced that Rolf Hangel was re-elected party chairman and Alf Lovenborg as vice-chairman. Rune Pettersson was newly elected as party secretary replacing Ingvar Loov who declined re-election in order to take on other party responsibilities.

In the new party executive of 33 regular and seven substitute members about a third are newly elected.

Knut Tell and the other retiring executive committee representatives were warmly thanked for their efforts, and Knut Tell was later elected chairman of the auditing committee.

A Boost for the Party

A general opinion among the congress delegates was that the 27th congress produced a real boost for the party. The debates and resolutions reflect a maturity and stability which promises well for the party's continuing growth.

Not least the noticeable participation of youth at the rostrum during the three congress days contains much promise. It was also illustrative that Knut Olsson in the greetings from party veterans to the congress did not refrain from characterizing the 27th congress as politically the best he had experienced. And his experience with communist party congresses stretches in fact back to 1926!

"To participate in a communist party congress is a privilege," party chairman Rolf Hagel said in his concluding speech. "The militant and comradely atmosphere has given us all the sense that we have been in something very essential."

The Party Has Matured

"We can be proud of the debate that has taken place. The congress has shown that the party has matured in a promising way. We know that we are moving ahead.

Not least the presence of many dear foreign guests from brother parties has contributed to the fine atmosphere characterized by community and international solidarity.

"Now we go to work, comrades," Rolf Hagel concluded where upon the Internationale was sung in unison, and presiding chairman Ingvar Loov declared the 27th congress closed.

9906

CSO: 3650/203

PARLIAMENT APPROVES HAWK PURCHASE AFTER FINAL DEBATE

Factors in Deciding on Hawk

Oslo AFTENPOSTEN in Norwegian 18 May 83 p 2

[Article by Knut Falchenberg: "Reckless Driving with Missiles?"]

[Text] The missile affair that affects Norwegian defense most directly is not concerned with nuclear weapons, and consequently those involved in the current debate regarding defense pay less attention to it. Nevertheless, the defense of airfields with missiles is of vital importance. The question is whether northern Norway will get any reinforcements at all in case of war. And the question of how reliable the process is that resulted in the selection of secondhand Hawk missiles is the central point here.

The desire of the Storting and the Ministry of Defense to defend this country's vulnerable airfields constituted the point of departure. The result was a ruthless struggle lasting 20 years among the supporters of the Crotale, Hawk, Roland and Rapier. At stake were prestige and emotions, along with objective arguments. The prizes to be won in this game were contract worth billions of kroner for some people, jobs for others and, of course, the desire to strengthen our defense as a predominant objective for almost everybody. When Anders C. Sjaastad took over as minister of defense, he had the contents of this witches' cauldron served as the first main course. He immediately issued instructions that a clarification should be arrived at quickly. That soon turned out to be a difficult matter.

Ever since the choice of the Crotale missile system made political waves in the 1970s, Air Defense's missile requirements have proved to be a delicate matter. The Crotale was thrown out for political reasons after information that South Africa had been involved in the development of the French system was brought forward. Among weapons dealers, it is known that competing foreign producers had people in Norway who actively took care of spreading such information in order to undermine the Crotale.

But the Defense Ministry and research workers at the Defense Research Institute knew what to do. Painstaking analysis was carried out over a period of years. Defense of air space could best be carried out by fighter aircraft, they discovered. Consequently, Norway concentrated so heavily on the F-16 fighter that

the Defense Ministry's economic backbone was only barely able to bear the burden. Defense of airfields against low-level attacks was also to be accomplished with guns and missiles of the Roland type for low-level defense.

In a 1975 Storting bill, the government pointed out that both the Hawk system and the other candidates had been the subject of extensive studies. The decision went against the Hawk. "High-level attacks must be countered by other means--primarily aircraft," it was said. "Air Defense, with the help of the Defense Research Institute, has carried out extensive analyses based on terrain studies, the threat of an attack, weapons-system studies and economic resources. Those studies have shown that the most effective strengthening of our airfield defense will be obtained if we procure a missile system that can meet the threat of attacks at altitudes up to 4,000 meters."

In the next section, it appears that the selection of such a system--with characteristics like those of the Roland or the Rapier--is even one of the materiel procurement projects to which the Defense Ministry assigns the highest priority. A few years later, the Defense Commission, cutting across party lines, arrived at a similar decision and the top leadership of Air Defense also supported that decision.

But in the Storting bill that had just been put forward it might seem as if the whole thing had been turned upside down as quickly as possible. This time, too, they were relying on an analysis by the Defense Research Institute which, according to the Defense Ministry, now alleged that the Hawk is just as well suited to the defense of individual targets such as airfields as the Roland. Where the requirement for coverage of larger areas was concerned, the Hawk was superior, it appeared.

That conclusion may be attributable to some revolutionary results that were obtained from research. We note that the large NATO countries concentrate on the Roland and the Rapier for the defense of individual targets such as airfields in spite of the fact that Hawk batteries are in the vicinity. Precisely because the Rolands and Rapiers have a rapid reaction capability and are specially suited for use against low-flying attacking aircraft, they invest large amounts of money in such target defense. It is also known that the Hawk batteries, which, with their equipment and cables running in all directions, cover more than 500 square meters of terrain apiece, will be tremendously vulnerable in North Norway all the way down to the southern border of Nordland, where Soviet fighter-bombers can come in at a low altitude from their bases on the Kola Peninsula. In those parts of the country, the Hawk batteries that are supposed to defend airfields would be more vulnerable than the airfields they were supposed to defend, some people maintain.

For our part, we are inclined to think that the research workers at the Defense Research Institute expressed themselves differently, pointing out that the Hawk can do a good job of individual target defense in central Norway at the Orland air base, while the Roland will be better at Bode and Bardufoss, to name a couple of places. Certainly one can say, quite properly, that the systems are equally valuable when one system is best against the threat in the north while the other is better suited to central Norway. But it should be noted that a choice between two parts of the country where defense policy is concerned is involved in such a way of stating the problem! That should be clearly apparent in this case.

where the requirement that the missile system, in addition to defending an individual target, should also cover rather large areas is concerned, it is satisfying that these operational conditions were set up by the commanding officer of national defense in November 1982, according to the Storting bill. Then there may be reason to note that the commanding officer of national defense, Morten Hamre, had issued his recommendation for the Hawk the summer before. Actually, his recommendation for the Hawk was issued at the same time that the proposals of the Roland and the Rapiere were invited to Oslo to bring their bids up-to-date.

Naturally, neither the Storting nor journalists can make a choice of missiles on their own hook. And after Thorvald Stoltenberg, who was a cabinet minister at that time, brought about internal disorder by extending the Nike missiles' life--in opposition to the advice of the commanding officer of national defense--it can be assumed that a cabinet minister will be very careful not to oppose the national defense commander to that extent on a question involving professional opinions on military matters.

Nevertheless, we do not perceive any very convincing explanations of how a requirement for short-range missiles of the Roland type, to which the Ministry of Defense had once assigned the highest priority, was suddenly turned upside down. We also can understand the irritation that prevails in industries at home and abroad that have spent millions, in all, to offer the most advantageous low-altitude defense system to a purchaser who actually was in the market for something entirely different--specifically, area defense. It is like asking for offers of passenger cars when one actually wants a truck. Our allies also were confused, and the British secretary of state, Ian Stewart, was only oriented in regard to the Norwegian maneuver during a meeting at Huseby. The British had some misinformation that had been straightened out, the Defense Ministry's spokesman said. Earlier, during the Norwegian maneuvering, it was the Americans who were unable to realize what was going on. First the Pentagon was informed, through press statements from the Defense Ministry, that they were dawdling and later that they had increased the price of the Hawk in defiance of the earlier agreement. After a week, the Norwegian side referred to internal miscalculations, and thus they discovered overnight that the amount of money in question could be saved with radar equipment from Sweden. Urgent messengers were sent in many directions without even pausing for breadth. Experts in procurement--Air Defense's command in charge of supplies--complained that they were being ignored and had to keep up-to-date through the mass media during some parts of the process. The question is whether it was possible for anyone to be guilty of reckless driving in something that took a couple of decades!

Labor Party Doubts Voiced

THE AVENINGSTEN in Norwegian 19 May 83 p 3

[Article by Morten Malmo: "Finally 'Yes' Answer on the Hawk"]

[Text] Finally, after 20 years of maneuvering back and forth, Norwegian air bases are to get their longed-for missile defense. Against the votes of the SV [Socialist

Party of the Left], the Storting decided yesterday evening that Norway will rent six batteries of missiles of the Improved Hawk type from the United States. Whether we will invest in Swedish or American radar and control equipment in connection with these missile installations will be the subject of discussion. All authorities in the Ministry of Defense who have dealt with this matter have given their approval of the selection of the Hawk system.

In spite of the long and twisted previous history of this matter, the Storting took only a little less than three-quarters of an hour to give its approval of the government's proposal in plenary session. It was only the SV that stressed its opposition to the choice of the Improved Hawk, and that party's four representatives in the Storting voted against the majority's decision. However, the Progressive Party's Bjorn Erling Ytterhorn asked that they would choose an American radar and control system for the Hawk missiles instead of a Swedish equivalent. Ytterhorn pointed out that Sweden is a neutral country and that, in a war situation that might come up between NATO and other countries, that situation could cause complications because the Swedish rules regarding the export of weapons say that Sweden cannot sell weapons to countries that are at war.

Stein Ornhoi (SV) criticized the treatment that the matter had received in the Storting's Defense Committee. He asked whether what was evident from an article that appeared in the AFTENPOSTEN yesterday--that the Hawk missile is the best in central Norway but unsuitable for North Norway--is true. He also asked what had become of the old, high-priority need for short-range missiles of the Roland type. "Does obedience to the military authorities take precedence over the responsibility the members of the Defense Committee have, as elected representatives, to demonstrate that they have minds of their own?" Ornhoi asked.

Both the chairman of the Storting's Defense Committee, Knut Frydenlund (Labor Party), and the committee's assistant chairman, Thor Knudsen (Conservative Party), repudiated Ornhoi's criticism, and Knudsen asserted that the most important thing now is to get started on further negotiations and on building up the new program of airfield defense.

Minister of Defense Anders C. Sjaastad commented on Ornhoi's question regarding the difference between the Hawk system's capabilities in central Norway and northern Norway, saying that the analyses and studies that had been carried out showed that, on the whole, the Improved Hawk is the missile system that will yield the best results for Norway when compared with the alternative missile systems. Sjaastad also stressed the importance of Norway's investing in a missile system for all its airfields.

"It is a defense minister's dream to be able to afford both an area defense and an airfield defense, but we don't have the money for that," Sjaastad said, and he also pointed out that the Hawk system will be able to protect other defense installations than just the airfields in its "area."

"We unfortunately have a number of defense installations that are extremely vulnerable," Sjaastad pointed out.

The spokesman for this bill, Ole Fr. Klemsdal (Conservative Party) stressed that being able to keep our airfields for our own aircraft and the Allied reinforcements that must come is a necessary preliminary condition for being able to wage an effective defensive war. Like Olaf Oen, of the Labor Party, Klemsdal pointed out that Norwegian concerns must obtain orders in connection with the Hawk agreement between Norway and the U.S. "A number of Norwegian concerns could be included here," Klemsdal pointed out, but without stating which ones he was referring to.

The Labor Party's "shadow spokesman," Olaf Oen, commented on the choice of the Hawk over the so-called Roland missile by saying that that decision, when it came, was a surprising one, but that he, like the rest of the majority in the Storting, would bow to the expert military evaluation that had been performed in this area. That same point was stressed by the chairman of the Defense Committee, Knut Frydenlund.

"We all must be glad that the Americans cancelled the Roland program, because if they had not done so we would have been stuck with a low-altitude defense system that would not have measured up after the threat picture which recently has changed radically," Olaf Oen said.

Newspaper Backs Decision

Oslo AFTENPOSTEN in Norwegian 20 May 83 p 2

[Editorial: "The Hawk--after 20 Years"]

[Text] If a sigh of relief had gone through the Storting hall, it would have been understandable in this case. After deliberations backward and forward that lasted 20 years, the Storting decided Wednesday evening to invest in the Hawk missile system to defend our airfields. The single most-discussed defense question for all those years was at last decided in that way.

A political decision on how we are going to defend our airfields in case a war situation arises should of course have been arrived at long ago. On a number of occasions, we ourselves have pointed out that the possibility that we could defend ourselves would actually be illusory without an up-to-date missile system that could keep our airfields in operational condition both for our own aircraft and for Allied reinforcements.

Our national defense will only be credible to the extent that we are in a position to receive help from abroad. Therefore, defense of airfields is of vital importance, and that is something the various defense committees of the Storting have pointed out in the many recommendations they have made. To be able to defend ourselves--and repel an attack--we must be certain that Allied forces can come to our assistance. Consequently, we must get ourselves organized in such a way that we will be able to hold onto our airfields if something bad should happen.

One might find it surprising that the political majority did not succeed in getting a decision in favor of missile defense a great deal earlier. In fact, what is involved here is the nucleus of Norwegian defense--that is, our airfields. Ironically enough, we must admit that Stein Ornhøi of the Socialist Party of the Left was right the other evening when he criticized the slow and extremely peculiar maneuvering that has gone on in the Storting debate. And for once we really will have to admit that that was the reason for his impertinent question: "Where were the Norwegian NATO politicians all the time when our airfields were without any defense?"

In the fall of 1975, it was decided that Norway should procure the American version of the French-German Roland missile system. The Storting's decision at that time was based on thorough studies and analyses, with support from the Defense Research Institute, and according to statements by experts that weapons system was quite up-to-date and suited to Norwegian needs as late as the fall of 1981, when the Americans cancelled the Roland-2 program. Surprisingly enough, the leadership in the Ministry of Defense came to a different conclusion for operational reasons in a very short time and went back to the Hawk, a system which had been evaluated exhaustively--and rejected--earlier.

But on a matter like this one, the Storting naturally yielded to the expert military evaluation, which now also has support from the Defense Research Institute. We must go by the defense minister's word that the Hawk is the missile system that, on the whole, will give the best results for Norway. And the importance of having an effective missile defense certainly has not lessened as the years have gone by, for it is necessary to be able to secure our airfields more than ever before.

Industry Package May Aid Norway

Oslo AFTENPOSTEN in Norwegian 28 May 83 p 201

[Article by Lars Hellberg: "'Industry Package' to Norway for Hawk Agreement"]

[Text] Washington, D.C., 27 May 83--According to State Secretary Oddmund Hammerstad, the United States has offered Norway "a very decent industrial package" in connection with the agreement to rent the Hawk airfield defense system. All in all, it can be a matter of contracts amounting to 600 million kroner within an overall framework of 1.5 billion kroner.

Furthermore, during his week's stay in the U.S., Hammerstad took up the question of the use of Norwegian tankers on a contract for the possible purpose of expanding the American strategic oil storage capacity. Here Norway is competing for grants worth \$800 million.

That question is being dealt with currently by a Congressional committee, and that gave Hammerstad an opportunity to point out to key people in Congress that Norway can offer tanker storage at much lower prices than the U.S. had figured on earlier.

Informed sources in the Pentagon, after talks with Hammerstad, say that advance storage of heavy equipment for the American Marine brigade that is earmarked for Norway is going according to schedule.

"I came in the nick of time," Hammerstad says. Thus, he points out that there was a certain amount of hesitation in Congress when it came to granting the necessary financial means for purchasing the equipment. The main reason for that was the fact that they had not gotten clear signals from Norway regarding permanent plans for storing the equipment.

What is involved is storehouses 75,000 square meters in size, and Hammerstad was able to orient the Pentagon on the plans for those storehouses. The plans satisfy NATO's requirements, but there also are alternative solutions in case the United States is unable to get a high enough priority on the alliance's infrastructure program assigned to the expansion.

It is of decisive importance to the United States to get the advance storage in Europe completed before 1987/88 so that the transportation capacity can be released for use in other places.

9266

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DE SANTIAGO BLASTS DISCRIMINATION AGAINST MILITARY

Madrid EL ALCAZAR in Spanish 8 Jun 83 p 3

[Commentary by Lt Gen (res.) Fernando de Santiago: "Discrimination Against the Armed Forces"]

[Text] In this commentary I shall not discuss the way in which Spain's Socialist Government has trimmed the FACA [Future Combat and Attack Aircraft] program by purchasing 12 fewer planes than the number projected by the earlier administration, with serious risk for our national security. The words of Lt Gen Garcia Conde, Air Force chief of staff, speak for themselves: "This is a day of mourning for the Air Force."

Neither will I talk of the major gaps existing between civilian wages and military pay scales because I do not wish to reproduce a comparative table published by a Madrid newspaper listing the "current average cash wages of civilian and military personnel." I avoid the subject because I do not wish to inject any materialistic dimension into a question that I believe to be eminently ideological.

I shall explain certain facts which are being dished out to us daily by the mass media. No day passes by when they do not announce to us the release of members of the ETA [Basque Fatherland and Liberty Group] serving a sentence. This is true to such an extent that there are no ETA members belonging to the Eighth Assembly in jail. All of this is happening because of the shady pacts and secrets of the government.

Furthermore, 5,000 common prisoners are to be released provisionally.

The ETA members, enemies of Spain, commonplace killers of military personnel, policemen, civil guardsmen, and many peasants, are in liberty and they will undoubtedly continue their dirty war of murder, kidnapping, and extorting from our fellow-citizens.

With these decisions of the government and of the political parties which encourage them, we shall continue being involved in an extreme situation where it will be very difficult to achieve security and peaceful coexistence in our cities and ancestral home.

Everyone is entitled to exoneration and freedom regardless of the crime committed. There is even a party which demonstrates in the streets seeking freedom for the ETA and indulging in the luxury of abusing our homeland.

As we said, anyone is entitled to exoneration and freedom, except the military. Let me explain. The officers sentenced for their role in the events of 23 February [1982] are all honorable men. Their biographies are exemplary, a compendium of love for and service to Spain. As they stated, they understood to be complying with orders from above, and they did not shed a single drop of blood. After their trial and sentencing, no leader of any political party has raised his voice so that these military personnel may be amnestied or pardoned. Some will say that they have relinquished their right to any exoneration. They are entitled to allege it, but it is also our obligation to seek for them every measure of pardon leading to their freedom considering that, as I said earlier, the leaders of political parties do not hold demonstrations to seek their freedom and also--and why not?--to cheer up Spain which has been so humiliated lately.

Another point I wish to make is this: Some indicted officers--Cols Luis Munoz and Jesus Crespo Cuspinera as well as Lt Col Jose Crespo Cuspinera--have been in prison since October 1982. They have not been tried and in some statements appearing in the press the minister of defense noted that "there was insufficient evidence." Despite of it, these officers have not been granted the conditional release petitioned by their lawyers.

On the basis of these cases and others that we could mention, it is obvious that there is no doubt whatever about the supremacy of the civilian over the military authority and that we members of the armed forces are being discriminated against and treated as inferior compared to other groups.

As a member of the Spanish armed forces, as a lieutenant general in the reserve, I find myself obliged to bring these facts to the attention of all Spaniards. There is no doubt whatever that attacks against the armed forces are uninterrupted and, I would say, abusive.

We are planning a major drive against some mass media and the statements of some specific politicians determined to separate the people from the Army. They will fail to do so because the people and the Army have the same roots and a common goal: To serve Spain.

It is deplorable that no leader of a political party should have raised his voice on behalf of the military men sentenced in connection with the events of 23 February and that they have not even wondered about the others indicted in October 1982. For that reason, in my capacity as a lieutenant general in the Spanish Army, I feel obliged to ask the Spanish people and the Spanish Government that they draw up the necessary briefs and present them to the king of Spain, commander in chief of the armed forces, so that those sentenced for the events of 23 February may be released and so that the status of other indicted personnel may be adjudicated and they be released conditionally while awaiting trial. Let the discrimination with which the armed forces are treated stop once and for all if tensions and difficult situations are to come to an end. That would be the right thing to do.

MADRID EXPLAINS F-18 PURCHASE RATIONALE

Madrid ABC in Spanish 8 Jun 83 p 19

[Article by Maria Jose Mendez: "Serra Explains Why the Government Selected the F-18"]

[Text] Yesterday, the minister of defense, Narciso Serra, took 2 hours to explain to the deputies on the Defense Committee of the Congress the reason why the [McDonnell Douglas] F-18A was chosen as the FACA [Future Combat and Attack Aircraft] of the Spanish Air Force. The [European-built] Tornado did not represent effective competition. At a monotonous and exhaustive session, the parliamentarians were overwhelmed by many facts, parameters, data expressed in millions of dollars, and a technical language difficult to understand for anyone who is not an expert in the assessment of weapons systems.

What was clear, according to the statements of Narciso Serra, was that Spain chose the best plane--taking into account the missions entrusted to the Spanish Air Force; that the FACA program involves an enormous burden for the Spanish economy; and that some really significant offsets were secured by Spain.

The minister's exposition remained without response since, for lack of time, the question-and-answer period could not follow. The session was adjourned until today.

The chairman of the Defense Committee, Guillermo Galeote, opened the session thanking the minister for his presence. Narciso Serra said that he had requested an appearance before the Defense Committee ever since the decision on the FACA program was taken "given that it is up to the executive to make decisions in the field of defense and armaments." After commenting briefly on the importance of the Air Force, Serra said: "The Spanish Air Force must have a deterrent capability guaranteeing Spaniards a peaceful future." The minister's presentation was made with the help of slides, a custom that is very common in every type of talk and discussion in the armed forces.

The minister of defense made a comparison with other countries whose position is similar to Spain's as regards their air forces--the Netherlands and Belgium --"and, of course, inferior to the Italian Air Force." Spain, the minister also noted, has a larger number of aircraft than Morocco but fewer than Algeria.

Using dates, the minister explained the various stages of the FACA program and noted the guiding principles that underlay the selection of the future Spanish Air Force plane.

Lieutenant colonel San Antonio, member of the FACA Program Committee, made a cost-effectiveness analysis of its weapons system based on the fact that the principal mission of the aircraft is ground attack and its secondary mission, air defense. After presenting many facts, the lieutenant colonel said that in terms of output the Tornado plane (in its two versions) is more costly and less efficient than the F-18A and he gave assurances that "the second option of the Spanish Air Force would have been the [General Dynamics] F-16 aircraft."

On his part, the undersecretary of defense, Eduardo Serra, asserted that a substantial improvement had been secured over the offsets offered at the start by the builder of the F-18A, and these improved concessions had been obtained at the last minute, on 27 May 1983.

Finally, the minister of defense explained that in the last analysis what had played the major role was the multipurpose capability of the plane. Similarly, great importance was assigned to the cost of maintenance and future capability of technological mastery. In these terms, the F-18A is frankly superior to the other assessed aircraft, he reported.

Narciso Serra stressed the burden for the economy represented by the high cost of the FACA program and he explained that the most important reason which had prompted the government to reduce its purchase of F-18A's from 84 to 72 planes was strictly budgetary.

He reported that if the Spanish Government were to decide to purchase the remaining 12 aircraft before March 1985, "we have the promise of the U.S. Government to support the price of the planes."

Narciso Serra stressed that he had notified the governments of "Italy, Germany, and Britain that the Spanish Government wishes to participate fully in the ACA [Agile Combat Aircraft] program from its start and, of course, in its development."

2662

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BOATERS WARNED OF TOUGHER ACTIONS IN CASE OF SUB SIGHTINGS

Stockholm DAGENS NYHETER in Swedish 22 Jun 83 p 5

[Article: "Watch Out for Green Light: The Navy Can Bomb Submarines Without Warning"]

[Text] Recreational sailers, smallboat cruisers and other people vacationing at sea will soon have to be more careful.

The navy is tightening up the regulations in regard to the submarine hunt as of 1 July. From then on action can be taken not merely to warn but to damage possible interlopers.

Smallboat skippers who see a sharp green rocket light after 1 July have every reason to reverse their courses. The rocket is a warning signal to the public that the submarine hunters are about to drop a depth charge.

Previously, submarines always had to warn with a blank shot before the heavy depth charges were used.

The new IKFN rules do not have this requirement. IKFN stands for Instruction Regarding Violations of Peace and Neutrality.

Decide Themselves

The individual helicopter scout or ship's captain himself will in the future decide whether to use depth charges, and then without warning.

"The public can be indirectly affected by the new rules," Captain Sven Carlsson of the Naval Staff Information Section verified.

"If recreational sailers are too close to a depth charge, the boats can be damaged," Sven Carlsson points out in an interview with the newspaper KVALSPOSTEN in Malmo.

Magnetic Mines

The navy is now conducting a program to inform the public in regard to the new rules. The naval staff is at the moment cutting a stencil which will reproduce the stricter rules in regard to the submarine hunt.

"Our experts have deliberated very much as to what is the best way to warn the public," Sven Carlsson says. The decision apparently is the green light rocket.

In addition to depth charges the navy is using magnetic mines and the new torpedo 22. Among other things, it follows the noise of motors.

A new submarine tip was reported to Military Command 5 at Harnosand on Monday. A person claimed that he had seen a submarine periscope on Klingerfjarden by the Ostvand factory just outside of the mine barrier which was set out during the submarine incident in Sundsvall some time ago.

"We have received an unconfirmed report which is presumably a repercussion of the submarine hunt," Lt Col Wiman at the military headquarters in Ostersund says. "We have moved a surveillance boat from Harnosand to east of Alnon. Otherwise, the report has not lead to any increase in preparedness."

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